

**JPRS74709**

**4 December 1979**

# **China Report**

**ECONOMIC AFFAIRS**

**No. 31**



**FOREIGN BROADCAST INFORMATION SERVICE**

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<b>REPORT DOCUMENTATION PAGE</b>	1. REPORT NO. <b>JPRS 74709</b>	2.	3. Recipient's Accession No.
4. Title and Subtitle <b>CHINA REPORT: ECONOMIC AFFAIRS, No. 31</b>		5. Report Date <b>4 December 1979</b>	
7. Author(s)		8. Performing Organization Report No.	
9. Performing Organization Name and Address <b>Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201</b>		10. Project/Task/Work Unit No.  11. Contract(C) or Grant(G) No. (C) (G)	
12. Sponsoring Organization Name and Address  <b>As above</b>		13. Type of Report & Period Covered  14.	
15. Supplementary Notes			
16. Abstract (Limit: 200 words)  <b>This serial report contains economic information on China.</b>			
17. Document Analysis a. Descriptors <b>CHINA National Economic Policy Economic Planning Finance and Banking Fuels and Power Mineral Resources Heavy and Light Industry Capital Construction Domestic and Foreign Trade Transportation</b>  b. Identifiers/Open-Ended Terms <b>05C, 13</b>  c. CDSATI Field/Group			
18. Availability Statement <b>Unlimited Availability Sold by NTIS Springfield, Virginia 22161</b>		19. Security Class (This Report) <b>UNCLASSIFIED</b> 20. Security Class (This Page) <b>UNCLASSIFIED</b>	21. No. of Pages <b>101</b> 22. Price

4 December 1979

# CHINA REPORT

## ECONOMIC AFFAIRS

No. 31

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## NATIONAL ECONOMIC POLICY

### REFORM OF CIRCULATING FUND MANAGEMENT ADVOCATED

Beijing JINGJI YANJIU /ECONOMIC RESEARCH/ in Chinese No 8, 20 Aug 79 pp 40-44

/Article by Yi Hongren /2496 3163 0088/: "On the Question of Circulating Fund Management System"/

/Text/ During the present period of readjustment of the national economy, conformity of a circulating fund management system with the general task of the new period is of great practical significance in making effective use of circulating funds, in meeting the needs for funds by the Four Modernizations, and in promoting the rapid development of the national economy. The scope of this system is quite broad, so this article is intended only as an initial attempt to study the forms of management and supply of circulating funds from the state to enterprises owned by the whole people.

#### I

The system of circulating fund management is determined by the nature of socialist public ownership of the means of the production and regulated by the system of national economic management.

In a capitalist society, the circulating fund of enterprises, besides the capitalists' own shares, is mainly raised through bank loans, commercial credits and the selling of stocks. In our socialist system, the circulating funds of enterprises under the ownership of the whole people are mainly supplied by the state through government appropriations and bank loans. For example, since 1962, circulating capital for state-run industrial enterprises has been supplied through two channels, namely state financial departments and banks. The enterprise's circulating fund is divided into fixed-quota circulating capital and above-quota circulating capital. Fixed-quota allocations are transferred from the financial departments to the departments in charge of the enterprises as circulating funds. They are interest-free and need not be repaid. Above-quota circulating funds are supplied by banks in the form of loans, which must be returned with interests paid at bank rates by the enterprises. This system of circulating fund management has produced the desired effects in our national economy. However, along with the development of the national economy, particularly because of the requirements of socialist modernization, the need for

tighter control of enterprise operations and stricter economic accounting, the defects in this system are being gradually revealed.

The main defect of the present system of circulating fund management is that according to this system of financing, the allocated funds need not be returned and are interest-free. The enterprises have no economic responsibility for the use of these funds, and the correct or incorrect use of them has no direct bearing on the economic benefits of the enterprises and the workers and staff members (including the director and the party committee secretary). Therefore, the enterprises and their entire personnel need not be concerned with the way the funds are used or with the need to produce better economic results by improving the business operation. On the other hand, they would try to get as much as they could when the time comes for financial allocations. As a result, excessive funds are tied up in the enterprises, the turnover of funds is slowed down, raw and semi-finished materials are over-stocked and the amount of reserve funds far exceeds the limit. For example, during the Fourth Five-Year Plan, the average circulating fund used for every 100 yuan's worth of output increased by 22.8 percent over that of the First Five-Year Plan. Again, in recent years, the materials stockpiled in the warehouses of industrial enterprises in Jilin Province amounted to more than 150 million yuan, being 33 percent of the total materials in storage. Thus one-third of the total circulating funds for industrial enterprises throughout the province was actually tied up. Similar conditions also existed in varying degrees in other regions. In the country as a whole, the total value of farm machine products amounted to 5.8 billion yuan by the end of June 1978, and about 30 percent of these products were of questionable quality. They could not be sold and thus formed a huge stockpile, tying up 1.5-1.6 billion yuan and resulting in a tremendous waste. After all, because of some defects in the system of economic management (including the system of circulating fund management), more and more circulating funds are simply hoarded up by the enterprises. This is very harmful to the Four Modernizations.

Secondly, the supply of circulating funds to the enterprises in the forms of both government appropriations and bank loans does not help in the unified control and supervision of these funds. On the one hand, the quota of circulating funds for an enterprise, once determined, will remain for many years, during which the enterprise's production continues to grow, and the allocated circulating funds will not be adequate to meet production requirements. This will hinder the enterprise's normal progress. Therefore, the enterprise can only apply for above-quota circulating funds in the form of bank loans. This practice will not be convenient for control by the department in charge of the enterprise. On the other hand, since the circulating funds supplied in the form of financial allocations need not be repaid and are interest-free, this system may encourage the enterprises to request more funds than necessary and their quotas will be more than they normally require for the normal production turnover. In this way, some enterprises will keep excessive circulating funds, resulting in stagnation instead of full utilization of these funds. At the same time, these enterprises will not have to approach banks for loans, and the banks will not be able to exercise their supervision through the credit system.

In addition, some regions, departments and enterprises took advantage of the defects in the system of supplying funds through both government appropriations and bank loans, such as the lack of any clearly defined responsibility and of strict control, and misappropriated circulating funds for unplanned capital construction projects. Thus they over-committed themselves on the capital construction front and upset the overall balance of the national economy by tying up more circulating funds.

## II

From the above, we can see many weaknesses in the present system of circulating fund management. This system is therefore unsuited for socialist modernization. In the management of circulating funds, the main concern is to insure the supply of funds for developing production and at the same time to use these funds to full advantage through practice economy. Funds are the monetary expressions of material. The turnover of circulating funds is in effect the utilization of materials in the spheres of production and circulation. The slowing down of the turnover of circulating funds indicates the problem of stagnation in these spheres which is not beneficial to the speeding up of social reproduction. Therefore, to fully utilize materials and to speed-up production, we must use circulating funds rationally to speed up their turnover and produce better economic effects. Marx said that because of the different speeds in the turnover of funds, the "scale of reproduction will be extended or reduced in widely different degrees." (i) In other words, the faster the turnover of funds, the better will it be for production from the use of the same funds and the greater will be the number of enterprises using these funds. Thus it will help in the high speed development of production. On the other hand, if the turnover of funds is slow, production from the use of the same funds will be reduced and there will be less enterprises in operation. This will slow down socialist construction. From this, we can see that rational management and use of circulating funds can speed up the turnover of funds and are of great significance in the high speed development of production. This is an important measure in accelerating the Four Modernizations.

How will it be possible for circulating funds to be used rationally and frugally, so that the apportioned funds can always meet the needs for full-scale production? On the one hand, we have to strike an overall balance in the national economy and carefully adjust the relationship between production and distribution of social products according to the laws of planned and proportionate development of the national economy. This is an important condition for the rational use of circulating funds. On the other hand, this is also the question—a question of decisive importance—of whether or not the system of circulating fund management helps emphasize the economic responsibility of the enterprise for the use of circulating funds. This question of responsibility creates a close relationship between the economic results from the utilization of funds and the economic benefits of the enterprises and their workers and staff members, and changes the present undesirable practice of irresponsibility for the result of fund utilization, regardless of the amount of funds used.



At the present stage, our socialist economy still retains the character of a commodity economy. While reforming the system of economic management, we must not fail to bear in mind this particular feature. Under the conditions of commodity economy, there must be money credit relations, and such relations must be used to speed up the turnover of funds, to improve the economic results of fund utilization, and to accelerate the process of social reproduction. Therefore, the role of socialist bank credit should be strengthened instead of being weakened. The socialist enterprises should practice independent cost accounting, and enjoy more power in making their own decisions. The "eating from the same pot" management system of purchasing and marketing the enterprises' products, or unified receipts and payments of enterprise funds, of handing over to the state all enterprise profits, and of reporting all expenses to the higher authorities, must be changed. The enterprises should have relatively more independence in managing their own production and assume their own economic responsibility. They must have clear-cut authority and responsibility, and assume sole responsibility for profits and losses in order that the success of their business will be directly related to the economic benefits of the enterprises themselves, their workers and their staff members. Only thus can the initiative of the enterprises be given full play in improving their business management. In reforming the system of circulating fund management in the light of these conditions, it is necessary to change financial allocations into bank loans and from an irreimbursable to a reimbursable basis. Furthermore, the enterprises will have to pay interests for their circulating funds. Specifically, the fixed-quota circulating funds to be appropriated to enterprises from financial allocations will be transferred to state banks to be used as credit funds, which will then be supplied to the enterprises by the banks in the form of loans. This is the so-called "total sum credit" method, the purpose of which is to use bank credits as an economic lever to help the enterprises practice economy in the use of funds, to speed up the turnover of funds, and to promote the proportionate development of the national economy at high speed. In supplying circulating funds to the enterprises, the bank will charge interests at different rates according to different types of loans. For example, the interest rate of above-quota circulating funds will be higher than that on the fixed-quota funds, and the interest on loans resulting from overstocking will be higher than that on above-quota circulating funds. In managing credit funds, all loans, other than those serving as fixed-quota circulating funds, will be supplied on application from the enterprises who must specify in their applications the purpose of the loan and the time of redemption. All loans should be redeemed at the promised times, and the enterprises failing to do so will have to pay even higher interests, so that the use of loan interests can be used to full advantage as an economic lever to induce the enterprises to improve their business management and to use their funds in a rational and frugal way. Therefore, the "total sum credit" method is a necessary step in giving full scope to the role of state banks in socialist modernization as well as an organic component of the reform of the system of economic management throughout the country.



There are many advantages in using the "total sum credit" method for enterprise circulating funds.

First, in using bank loans for circulating funds, the enterprises have to pay interests at the bank's specified rates. This will strengthen the enterprises' sense of economic responsibility for the utilization of circulating funds. Along with the independent cost accounting of the enterprises, the economic results of such utilization will be directly related to the economic benefits of the enterprises and their workers and staff members. An enterprise using more circulating funds will have to pay more interests and making less profit, and this will correspondingly reduce the economic benefits for the enterprise, its workers and its staff members. On the other hand if the enterprise uses less circulating funds, it will pay less interest and make greater profits, and the economic benefits for the enterprise and its workers and staff members will be increased. This method will encourage the enterprises and their workers and staff members to be concerned with the saving of circulating funds and the effective use of these funds, to actively improve their business management, curtail the above-quota material reserves, dispose of their overstocked goods, reduce unnecessary expenses, tap the potentials of funds, speed up their turnover, and strive to improve the economic results. This is the basic starting point of our reform of the system of circulating fund management by practicing the "total sum credit" method.

Secondly, after the combination of the two sources—state and bank—of supplying circulating funds into one—bank—it will be possible to reduce the number of approvals at various levels and shorten the supply line. It will also be possible to work out an overall arrangement including the strengthened management of these funds by the enterprises, greater flexibility in regulating the surplus and deficit among enterprises and more timely assistance to the development of production. Government appropriation is an administrative method of management requiring the checking and deciding of each amount at various levels before the funds can pass from top to the bottom, level by level. In this case, the funds may not be available in time to meet the requirements of production. The use of a purely administrative method in economic management therefore can no longer be suitable for the realization of the Four Modernizations. If we use the economic means of credit for managing and supplying circulating funds to the enterprises, it will be possible to organize various temporarily idle funds in the society to meet the needs of enterprises for production. Any enterprise short of funds will be supported and any enterprise having a surplus will have to surrender the excess portion. Thus it will be possible to meet the needs flexibly and in good time of enterprises in developing production and to serve the purpose of promoting production, stressing the need for good results, saving money and simplifying the procedures.

Thirdly, in using the "total sum credit" method, all enterprises will have to open bank accounts which can reflect the movement of all the circulating funds, and the economic activities of the enterprises will all be carried out in the forms of bank deposits, withdrawals, settlements of accounts and so forth. In this way, the bank can really serve as what Lenin called a "countrywide book-keeping, countrywide accounting of the production and distribution of goods"

and become in name as well as in fact "something in the nature of the skeleton of socialist society." (2) Since the daily activities of enterprises are promptly reflected on their bank accounts, the bank will be able to know the business activities of the enterprises fairly promptly and comprehensively, and to be better able to play its supervisory role. The bank can actively support those enterprises which follow state planning and economic contracts by extending credits on favorable terms. As to those which deviate from state planning and economic contracts, or fail to dispose of their over-stocked goods, the bank can reject their applications for credit or report the matter to the higher authorities in charge of the enterprise. These measures will strengthen the banks' supervisory role over the enterprises.

### III

Reform of the system of circulating fund management involves many areas and may cause different reactions among people. Therefore, it is necessary to further study and discuss this matter so that people may gradually come to an agreement.

Some comrades hold that when our country adopted the "total sum credit" method from 1959 to 1961 for the supply of enterprise circulating funds, the result was that the banks failed to exercise their control on the excessive amount of loans, causing great waste. These comrades felt that this should be taken as a lesson. On this point, it is necessary to conduct a concrete analysis. At that time, under the influence of high targets and the "wind of exaggeration," the entire system of economic management was rather loose. The enterprises did not care about cost accounting or the economic results of fund utilization. As for bank credits, there was the mistaken guiding idea of "granting whatever credit requested at any time." This was the cause of excessive credits being extended resulting in the waste of funds. This was actually the result of failure to follow economic laws, and, therefore, it is unfair to attribute this deplorable situation to the "total sum credit" method. The use of the "total sum credit" method, fundamentally speaking, means the use of credit interests as an economic lever to strengthen the enterprise's sense of economic responsibility for the use of funds in order to achieve better economic results. If the system of management remains unchanged so that the enterprise has to hand over the entire amount of profit or to leave the deficit to be made up by the state, then the enterprise need not be concerned with the payment or nonpayment of interest or how much interest to pay. The reason is that if it makes more profit by paying less interest, the profit has to be handed over to the state anyway. On the other hand, if an enterprise pays more interest, the profit to be handed over to the state will be correspondingly reduced. Even though it may suffer loss, the state will make it up. Then it will be impossible to encourage the enterprise to ask for less funds in order to save in the payment of interests. As we can see, the improvement of the form of supplying circulating funds alone cannot serve the required purpose. Therefore, in adopting the "total sum credit" method, it is necessary to overhaul the entire system of economic management as the basic task. In other words, the economic benefits of the state, the enterprise and

its workers and staff members must be combined under the system of economic management before the activism of the enterprise and its workers and staff members can be aroused in fund management.

Some comrades hold that by adopting the "total sum credit" method, the enterprise will have no circulating fund of its own. If it has to borrow all it needs from the bank, the enterprise will lose its rights to self-management, and this will not be helpful in strengthening cost accounting. This argument is untenable. The enterprise's right to self-management, as far as the use of funds is concerned, is not decided by the source of the funds, either from state appropriation or from bank loan. At present, the main portion of circulating funds comes from state appropriation, and yet the enterprise has no power of making a decision in the use of funds. The entire amount of profits has to be handed over to the state by the enterprise and even the major portion of the basic depreciation fund has to be remitted to the state or the department in charge, while all its payments have to be approved by the same higher authorities. The enterprise has no authority or funds to renovate its equipment or to improve its technology. This situation is not caused by the source of the circulating funds, but by the scanty authority enjoyed by the enterprise under the present system of management. In financial management, the enterprise can only pay expenses within a prescribed limit. As long as the expenses are permitted under the regulations, they can be paid in any amount regardless of the economic results, and these expenses can be added to the production cost. However, if the expenses are outside the prescribed scope, then no payment can be made regardless of the amount or the economic result. Therefore, solution to the problem of an enterprise's right to self-management lies mainly in the improvement of the system of enterprise management, and only thus will there be more authority for the enterprise over its personnel, financial, material, planning and other matters. For example, if an enterprise "assumes sole responsibility for all profits and losses and for financial administration," it will obtain its circulating funds in the form of "total sum credit," and then use this fund independently to meet the requirements of production. Its power of making decisions cannot be affected by the fact that its circulating funds are in the form of bank credit.

Will the "total sum credit" method for the supply of funds help strengthen the enterprise's economic accounting? The answer is definitely "yes." Funds from budgetary allocations need not be returned and are interest-free. This is in fact a system of "rationing." Therefore, the enterprise must request as much as it can, and in using the funds in hand, they do not have to carry out meticulous calculation and strict budgeting, or to be concerned with economic accounting. Since the "total sum credit" method requires the enterprises to pay interests and to assume economic responsibility for the use of the funds, they will find it necessary to improve their business management, and to strengthen the economic accounting.

Still other comrades feel that after adopting the "total sum credit" method, all circulating funds will be supplied the banks which will then be confronted with all the contradictions between the supply and demand of funds. The bank



may not be able to cope with this situation without issuing more paper currency to meet the shortage of credit funds. This point of view is due to incomplete understanding. At present, there are dislocations in circulating funds, partly because of insufficient funds being transferred by the financial departments and partly because of the defects in the present system of economic management (including the system of circulating fund management) as a result of which, the turnover of funds is slowed down and excessive funds are tied up, causing serious stagnation, waste, and strain on the supply of funds. The solution to this problem is to improve the system of economic management (including the system of circulating fund management), to readjust the proportional relations of the national economy, to maintain a balance between financial receipts and payments, and an overall balance of finance, credit, materials and foreign exchange. As long as the financial departments can transfer sufficient funds to the banks to be used as credit funds and circulating funds according to the plans for the development of the national economy, and as long as the banks' functions are given full scope in extending credits and in organizing financial deposits, including the deposits by various economic organizations and savings by the people, and then in granting loans to the enterprises, this form of supply will help speed up the turnover and reduce the volume of funds required so that supply and demand of funds will be balanced. Under these conditions, therefore, there should be no shortage of credit funds because of the "total sum credit" method. If, however, the financial departments do not transfer sufficient funds to the bank to be used for this purpose according to stipulations in the system, then problems will crop up in even the best system, but the shortage of credit funds should not be charged to the "total sum credit" method. If, in a certain fiscal year, the demands for funds exceed the capability of the banks because of rapid developments in production and circulation, and in view of the increasing accumulation of commodities waiting to be sold in the market, the issue of paper currency up to a suitable limit is justified and consistent with the laws of currency circulation. The issue of paper currency under such conditions is commensurate with the development of the national economy and will not have adverse after-effects.

Still other comrades hold that if circulating funds are jointly managed by three parties, namely the financial departments, the banks and the enterprises which can regulate one another, it will be easier to expose contradictions and solve problems. This viewpoint is based on the management of economic affairs with purely administrative methods. It ignores the need for economic methods to solve economic problems and for economic means to arouse the enthusiasm in improving business management and the effective use of funds. If such enthusiasm cannot be aroused, then the management of circulating funds cannot be effective regardless of three parties, two parties, or one party doing the job. On the contrary, more contradictions will arise as a result of more managing parties, because they can always pick on one another or shift responsibility on to one another in a situation of "three managing parties and at the same time three nonmanaging parties." With the "total sum credit" method, the bank will undertake the tasks of both managing and supplying circulating funds for the enterprises, and its widespread structure is a favorable condition for it



to maintain close relations with the enterprises. Its roles as the credit center, the clearing center, and the center for cash payments will enable the bank to give the necessary help as well as its supervision over the enterprises, and, with credit interest as an economic lever, to arouse the enthusiasm and sense of responsibility of the enterprises in the use of circulating funds. Unless the enterprises are concerned with the use of these funds, there cannot be a reliable basis for the management. Of course, the state financial departments and the departments in charge of the enterprises should also have the responsibility for the common task of helping the enterprises improve their business management and to save or use their funds more fruitfully.

After all, the adoption of the "total sum credit" method calls for the reform of the system of circulating fund management which is useful in giving full scope to the bank as an economic organization. However, we must also note that the system of circulating fund management should be adapted to the system of national economic management. The adoption of the "total sum credit" method should be combined with the reform of the entire system of economic management before it can fully play its desired role.

#### FOOTNOTES

1. Marx, "Das Kapital," Vol 2, People's Publishing House, 1975, p 48
2. Lenin, "Can the Bolsheviks Retain State Power?" "Collected Works of Lenin," Vol 26, pp 87-88

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## NATIONAL ECONOMIC POLICY

### BRIEFS

**HUBEI TAX EXEMPTION**—Beginning from 1979, the people in Hubei have adopted a new tax exemption measure to help the backward and poor communes and brigades transform themselves. In accordance with the average income of each person, the state has formulated a standard for tax exemption known as the starting point of tax payment. All those who are earning less than the starting point are exempted from taxes. After the implementation of the next tax measure, one-sixth of the production teams throughout the province will be exempted from tax payments. Most of these production teams are located on the remote mountainous areas. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 21 Oct 79 BK]

**GUANGZHOU EMPLOYMENT**—The Guangzhou Municipal CCP and revolutionary committees recently decided to adopt new measures which allow those awaiting employment to raise their own funds to set up their own trades and provide services. The systems which have set up collective ownership units to provide employment to the unemployed will independently run their businesses and be responsible for profit and losses. Some veteran Chinese medical practitioners and veteran artists are also allowed to accept apprentices. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 23 Oct 79 HK]

CSO: 4006

## ECONOMIC PLANNING

### GUANGDONG PARTY CADRES STRESS NEED FOR ECONOMIC REFORM

Hong Kong TA KUNG PAO in Chinese 10 Oct 79 p 1

[NCNA 9 October report: "Cadres From All Over the Province Study Ye Jianying's Stated Intention To Give a Free Hand to Cadres." "The National Economic and Political System Must Develop Continuously and Cannot Afford Blind Faith in Books."]

[Text] NCNA, Guangzhou, 9 October--Since National Day the Guangdong Provincial CCP Committee, the Guangdong Provincial Revolutionary Committee, and various units of provincial government organs have been conducting many study meetings and short training courses to review and discuss the speech by Comrade Ye Jianying [5509 0494 5391] at the meeting to celebrate the 30th anniversary of the Peoples' Republic of China. In these discussions the cadres have universally acknowledged that this speech is a model of practicality and realism. It tentatively summarizes new China's 30 years of practical experience, clearly points out the direction forward, and reflects from a commanding height the spirit of our party and people in which we overcome difficulties and press forward with indomitable will. It is a historical document which defines our overall situation and direction, and it will surely arouse the tremendous force of the people in their hundreds of millions in our advance toward the Four Modernizations. The cadres indicate that, inspired by this speech, they will unite as one to carry out the four modernizations and go all out in working energetically for socialism.

At study meetings held by the provincial party committee and a number of units, everyone related the course of our party's 30-year struggle to the ideological and working realities of the present, freed themselves from old ideas, and comprehensively discussed the fundamental experiences of our country's 30 years of socialist revolution and socialist construction. Everyone was of the opinion that the four empirical lessons learned from our party's struggle with Lin Biao and the "gang of four" are of extremely profound historical significance and that these sessions, for which a bitter price was paid, must be left for future generations, never to be forgotten. Many comrades talked about our need to apply the fundamental principle that practice is the sole criterion for testing truth, to integrate 30 years of practice, to study anew Marxism's theory of the state, and, at the same time, to reform and perfect the socialist economic system, to reform and perfect the socialist political system, and to

develop both a high degree of socialist democracy and a perfected socialist legal system.

Everyone says that Marxism-Leninism and Mao Zedong Thought must grow continuously and that our country's economic and political systems must also constantly undergo perfection and development. Our thinking cannot be allowed to stagnate by resting on books and readymade formulas. We must constantly emancipate our minds, dare to consciously reform our superstructure, and improve some obsolete and backward things in our organizational setups. We must dare to take a step forward in reforming the system of economic management, taking into account the special characteristics of Guangdong, so as to make a contribution to our country's construction of the Four Modernizations.

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## **ECONOMIC PLANNING**

### **GUANGDONG ORDERS INVESTIGATION OF COMMODITY PRICES**

**Hong Kong TA KUNG PAO in Chinese 13 Sept 79 p 1**

**[TA KUNG PAO special report, Guangzhou: "Some Businesses Raise Prices Arbitrarily; Complaints From City Residents Numerous." "Market Surveillance Groups Set Up To Examine Standards for Charges in All Trades and Professions; Wilful Violators of Pricing Policies To Be Dealt With Severely"]**

**[Text] The Guangdong Provincial Revolutionary Committee recently issued a notice calling for a thorough investigation of commodity prices to be launched throughout the province.**

**The notice said that the supply of goods and materials on the market is insufficient at present, causing the prices of some products to be high, and in pursuit of profit some units have been independently raising the market prices and fee schedules, respectively, for goods and services controlled by the central authorities and the province, or doing so covertly, setting off a chain reaction which has made heavier the burdens in the lives of the people. Complaints from the masses are widespread.**

**The notice emphasized that the market prices of commodities have an impact on countless households, every sector of the national economy, stability and unity, industrial and agricultural production and the lives of the people. It was stressed that revolutionary committees at all levels must attach great importance to this problem.**

**The announcement urged revolutionary committees at all levels to form price monitoring teams which will review the prices of all varieties of commodities and standards for charges. Investigation would focus principally on the following: first, whether the raising of wholesale purchase prices and market resale prices set for agricultural byproducts has been carried out step by step within prescribed limits; second, whether the prices of consumer goods most important in the lives of the people and standard charges for medical treatment, communications, repairs and other such services have been unduly or covertly raised; third, whether negotiations connected with buying and selling are being conducted in accordance with various prescribed principles, whether profits are reasonable, and so on. Problems brought to light should be differentiated according to circumstances and handled conscientiously.**

Units which have been carrying out commodity pricing policies in an exemplary way and individuals who have had the courage to stick to principles should be commended. Those who have raised prices of key commodities and standards for fees should turn themselves in immediately; cases of price raising in disguised form must be firmly corrected; funds collected through arbitrary actions should be considered illegal income and remitted to the local treasury.

The notice stated that if cases arise in which willful violators of pricing policies refuse to change their ways, investigation aimed at fixing responsibility can be made if the circumstances are serious enough to warrant such a move, and corrective action would likely be severe.

The announcement stressed that after the state has stipulated the raising of purchase prices of agricultural byproducts there must be insistence on strict adherence to such measures in the principles followed when local prices for sale to the state are being arranged. People are not allowed to change prices as they please. If rises in the cost of obtaining fuel and raw materials necessitate increases in prices for producing and marketing industrial products and processed goods, pricing departments at all levels should carry out investigations and formulate an overall solution.

Finally, the notice underlined the need for revolutionary committees at all levels to give more effective leadership to pricing work and to publicize the party's pricing policies to the numerous cadres, staff and workers. They must pay constant attention to trends in market prices, investigate and solve problems existing in pricing work and thus do their pricing work in a conscientious manner.

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## ECONOMIC PLANNING

### BRIEFS

**ZHEJIANG LOWER PRICES**—While the prices of agricultural produce and sideline products have been raised in accordance with the decision of the party Central Committee and the State Council, the selling prices of some 70 kinds of "support-agriculture" products have been decreased to stimulate agricultural production in Zhejiang Province. These products include diesel engines, threshers, plows, gearboxes, insecticide for use in farms, fishing nets and farm machinery parts. The price decrease ranges from 4 to 20 percent. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 30 Oct 79 OW]

**LIAONING PRICE SURVEY**—Implementing the circular of the State Council on carrying out price surveys, the Liaoning Provincial Revolutionary Committee has formed a price survey team with Hu Yimin as its head and called on all prefectures and municipalities to form price survey sub-teams with principal leaders as heads. In addition to standing committee members of the people's congress and the CPPCC at all levels, members of the provincial revolutionary committee, deputies to the provincial people's congress and responsible persons of mass organizations such as trade unions and women's federations were also invited to join the survey teams. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 9 Nov 79 SK]

**SHANGHAI COMMODITY PRICE INSPECTION**—The commodity price inspection group organized by the departments concerned in Shanghai conducted a price inspection in the urban area on 26 and 27 October, according to a WEN HUI BAO report. Chen Jinhua, deputy secretary of the municipal party committee and vice chairman of the municipal revolutionary committee, visited a number of retail stores. Other leading comrades of the city also took part in the inspection. Problems discovered during the inspection will be solved step by step. [Shanghai City Service in Mandarin 0000 GMT 29 Oct 79 OW]

**FUJIAN PRICE CONTROL**—The Fujian Provincial CCP Committee recently held a meeting of the standing committee to listen to the reports of the departments of commodity prices and study the problems of some areas which unscrupulously increased the prices and disguised the increases. The provincial CCP Committee has demanded that the areas throughout the province launch an inspection on commodity prices at once and clearly announced the prohibition against unscrupulous and disguised increases. All those who have overcharged for their commodities must return the money to the customers or departments concerned. [Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 27 Oct 79 HK]

**NANNING COMMODITY PRICES**--The Nanning Municipal CCP Committee has decided to inspect the commodity prices throughout the municipality beginning on 25 October in accordance with the instruction of the Guangxi Regional CCP Committee. The municipality has set up a leading group to inspect commodity prices. Wei Chunshu and (Xiong Heqing) will head the group and its members will come from the Nanning finance office, education bureau, finance bureau, tax affairs bureau and public health bureau. The inspection will mainly concentrate on state shops, the purchasing and sales departments of the supply and marketing office, the repairs trade, communications and transport, medical and public health, schools and the weights and measures units. Members of the inspection teams will also check up on the weights and measures of the sales departments. Those which are not in line with the demand cannot be used. Those who have unscrupulously increased prices must reduce them to the level in existence on 1 January 1979. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 26 Oct 79 HK]

**GUANGZHOU MATERIAL SUPPLIES**--Recently, the Guangzhou material supply bureau held a meeting on material supplies with the participation of representatives from all over the country. The meeting helped to solve the problem of stockpiling. The participants to the 5-day meeting signed 2,200 contracts worth a total of 50 million yuan. A quantity of stockpiled material in Guangzhou was sold at the meeting. Some material that was in short supply in Guangzhou was also purchased. [Guangzhou City Service in Cantonese 0430 GMT 26 Oct 79 HK]

**CHANGSHA COMMODITY PRICES**--Changsha Municipality recently organized the departments of commerce, supply and marketing, grain, communications, public health and light industry to investigate the prices of 6,300 commodities in some of the shops. The units and individuals who unscrupulously raised prices, increased prices in a disguised form and seriously violated the policy of commodity prices were criticized, educated and penalized. [Text] [Changsha Hunan Provincial Service in Mandarin 2315 GMT 19 Oct 79 HK]

**HUNAN MUNICIPALITY PRICES**--The departments in charge of commodity prices in Yiyang Municipality recently issued a notice to reduce the prices of 64 commodities, with the exception of white chalk, to their original prices. Prices of these commodities were increased earlier. The price of white chalk must be increased. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 19 Oct 79 HK]

**GUANGZHOU PRODUCTION MANAGEMENT MEETING**--On 25 September, the Guangdong Provincial Economic Committee and the Provincial Finance and Trade Office held an on-the-spot management meeting in Guangzhou on increasing production and practicing economy on the Guangzhou municipal industry and communications front. The meeting was held after principal responsible comrades of the provincial economic committee investigated and achieved a concrete understanding of the current shortages of electricity, fuels and raw and processed materials and the current problems in funds and prices on the municipal industry and communications front. With regard to the problem of electricity



consumption of other areas to meet the daily requirements for electricity in the municipal plants, factories and enterprises. Departments concerned have tried their best to solve in a timely manner some problems in raw and processed materials shortages in Guangzhou. [Guangzhou City Service in Cantonese 0430 GMT 21 Oct 79 HK]

**YUNNAN COMMODITY PRICES**--Yunnan Province and Kunming Municipality recently organized a joint inspection group on commodity prices. The group began work on 19 October. To unify the party's policy on commodity prices, the party committees of the province and municipality have given clear instructions, pointing out that no unit or individual is allowed to increase commodity prices without prior approval. The units and individuals which have properly implemented the policy of commodity prices must be cited. The units and individuals which have violated the policy must be disciplined and have economic sanctions imposed on them. The finance and trade staff and workers must take the lead in implementing the party's policy on commodity prices. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 23 Oct 79 HK]

**YUNNAN DAILY COMMODITIES CONFERENCE**--The Yunnan Commerce Bureau and the National Defense Industry Office recently held a conference on the supply of daily commodities for the staff and workers of the factories and mines of the national defense industry. The conference pointed out that the daily life of the staff and workers in the mountainous areas where communications are inconvenient and hard there are shortages of meat and vegetables. The participants pledged to supply these materials daily to the mountainous areas. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 20 Oct 79 HK]

**CHENGDU COMMODITY PRICES**--The Chengdu Municipal Revolutionary Committee issued a circular on launching an inspection of commodity prices throughout the municipality from 20 October to the end of November. The circular pointed out that all units and individuals must strictly observe the state's unified regulations, spontaneously observe the discipline of commodity prices and mobilize the masses to launch the inspection of commodity prices. These prices will be based on the standard prices which were in effect on 1 January 1979. Prices which have been increased must be reduced to the level of 1 January 1979. [Chengdu Sichuan Provincial Service in Mandarin 2310 GMT 20 Oct 79 HK]

**HUBEI COMMODITY PRICES**--The people in Hubei have scored preliminary results in inspecting and rectifying commodity prices since August. In Xianning Prefecture, 354 persons have been organized into 54 inspection groups to go deep into 84 communes and brigades and 264 basic-level units to inspect the policy of commodity prices. In Wuhan, the work of inspecting and rectifying commodity prices has been fully launched. At present, the leadership at all levels throughout Hubei is resolved to promote the work of commodity prices to serve the four modernizations even better. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 21 Oct 79 HK]

**BEIJING COMMODITY PRICES**—On the eve of National Day, the finance and trade and commodity prices departments in Beijing conducted a preliminary inspection of commodity prices. Beginning on 16 October, the Beijing Municipal Revolutionary Committee decided to launch a massive inspection of commodity prices and established a leadership organ. During the inspection, various forums will be held to extensively listen to the opinions of the masses. The pricing standard is based on those which were in effect on 1 January 1979. The commodities include meat, vegetables, clothes, repair services, furniture and the light and textile industry. [Beijing City Service in Mandarin 2300 GMT 17 Oct 79 HK]

**GUIZHOU COMMODITY PRICES**—The Guizhou Provincial Revolutionary Committee has recently decided to inspect commodity prices throughout the province beginning from now until the end of the year. The provincial revolutionary committee has also decided to set up a leadership group on inspecting and rectifying commodity prices. The prefectures, autonomous prefectures and municipalities will also set up corresponding organs to strengthen inspection and rectification of commodity prices. Problems discovered will be seriously dealt with in accordance with the policy of the party and their different situation. Those who have seriously violated the policy of commodity prices will have to immediately rectify their practices. They will be fined and will have to return all their enterprise bonuses. [Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 24 Oct 79 HK]

**SICHUAN MUNICIPALITY COMMODITY PRICES**—The people in Chongqing Municipality have effectively stabilized commodity prices in the markets and promoted stability and unity. The municipal CCP and revolutionary committees have paid very serious attention to work on commodity prices and have conducted and rectification inspections on two occasions in spring and summer this year. Recently the municipal revolutionary committee held a conference of responsible cadres from the departments, committees and bureaus concerned with commodity prices. The participants demanded that all those who have unscrupulously increased the prices of their products must reduce them to the 1 January 1979 level. [Chengdu Sichuan Provincial Service in Mandarin 2310 GMT 23 Oct 79 HK]

**NANCHANG PRICE INVESTIGATION**—Jiangxi Province and Nanchang Municipality recently organized a group to investigate prices in the commerce, supply and marketing, grain, light industry, chemical industry, material, education and public health departments in Nanchang. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 26 Oct 79 HK]

**JIANGXI ENTERPRISES**—In Jiangxi, there are now 32 industry and communication enterprises which have increased their rights of self-management. These enterprises are able to take the initiative to improve their management, make use of manpower, material and money and increase their economic efficiency. Many enterprises have integrated economic interests, economic results and economic responsibility, put the system of responsibility on a sound basis, strengthened basic work, improved product quality and done a good job of auditing. Some have also set up banks. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 29 Oct 79 HK]

**HUNAN MATERIAL SUPPLY**--Since this year, the material supply departments at all levels throughout Hunan have given priority to the supply of materials for realizing the four modernizations. These departments face shortages, stockpiling and waste. In some cases the supply of necessary materials cannot meet demand and unnecessary materials have been stockpiled in warehouses. By the end of July 1979, these departments have cleared up stockpiled material worth 250 million yuan. A total of 48 million yuan of material has been allocated to agriculture, light and textile industry and commune and brigade enterprises. Since this year, 23,000 deliveries worth 45 million yuan have been made to the countryside and factories. Recently, the Hunan material supply bureau held a work conference in Yiyang Prefecture which was attended by the directors of the material supply bureaus from the prefectures, municipalities and counties. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 21 Oct 79 HK]

**BEIJING HOUSING RENTS**--On 1 July Beijing standardized the rents for all civilian houses and staff and workers dormitories on 1 July. Compared with the old rents, the new rents mean reductions in varying degrees for buildings of two or more stories and single-story houses. Before 1 July, the Beijing Municipal Housing Administration Bureau made a survey of and repeatedly studied over 2,000 types of houses in Beijing, thus standardizing rents for houses and dormitories. The standardization of rents, means that over 500,000 households have had their housing expenses reduced. [Beijing City Service in Mandarin 2300 GMT 22 Oct 79]

**BEIJING WORKING HOURS**--From 1 November Beijing Municipality will stagger urban factory and office working hours. To improve traffic order, the municipal revolutionary committee has decided that general offices and companies will open at 0830 instead of 0700 or 0800. The time for finishing work has also been readjusted accordingly. [Beijing City Service in Mandarin 2300 GMT 27 Oct 79 HK]

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## GENERAL ECONOMIC INFORMATION

### SOCIETY TO STUDY FOREIGN ECONOMIC THEORIES ESTABLISHED

Beijing GUANGMING RIBAO in Chinese ]2 Oct 79 p 3

[Article: "Society For the Study of Foreign Economic Theories Established"]

[Text] Recently a working conference to inquire into foreign economic theories was held in Beijing. Participants numbered more than 80 from institutions of higher learning throughout the country, scientific research units, and specialists from the news publication sector who are engaged in the teaching of foreign economic theories and research work.

The meeting acknowledged that our country is presently very weak in the study of foreign economic theories, notably foreign economic theories of the post-classical period, which ill suits the needs for development of our national socialist economic construction and scientific undertakings. Many comrades feel that in dealing with foreign economic theories it is necessary to maintain a steadfast Marxist attitude of dialectic analysis to criticize their mistaken viewpoints and to absorb from them whatever may be useful to us or that we can learn, in a determined change from the across-the-board negative attitude adopted toward foreign economic theories of the post classical period that has so long endured. At the same time it is necessary to correct the views toward our country of the specialists who undertake this scientific study and teaching work, keeping the views of the object of study separate from those of the persons doing the studying, and positively not allowing those engaged in the study or teaching of foreign economic theories to be regarded as bourgeois scholars. In short, it is necessary unswervingly and thoroughly to carry out the "hundred flowers bloom and a hundred schools of thought contend" program and the policies toward intellectuals prescribed by the party, politically guaranteeing academic freedom.

In the course of the conference, nation-wide foreign economic theory study societies were established and democratic principles were followed in discussing and approving a charter for the study society, the election of a council, and the general acclamation of the deputy director of the Chinese Institute of Social Sciences and head of the Institute of Economic studies, the famous economist, Xu Dixin [079 3321 2450], as honorary director and head of the Economics Department of Beijing University and an old economist, Teacher Chen Daisun [7115 1486 1327] as director. A deputy director and a secretary general were also selected at the same time. The first session of the council elected more than 10 famous old experts in China as honorary members of the council



## GENERAL ECONOMIC INFORMATION

### BRIEFS

**ZHEJIANG PRICES**—The 70-member price inspection team formed by representatives from all walks of life conducted an inspection tour among some 20 commercial units in Hangzhou, Zhejiang, from 31 October to 4 November, and reported the inspection results to the municipal revolutionary committee on 6 November. The inspection team also submitted its views on stepping up price control. It finds that market prices remain stable and that most department stores and restaurants are observing party policy on prices. It also finds arbitrary price increases and supply shortages for certain commodities. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 7 Nov 79 OW]

**SHANGHAI COLLECTIVE ENTERPRISES**—The Shanghai Municipal office in charge of collectively-run enterprises and the municipal handicraft bureau called a meeting on the afternoon of 6 November to discuss increasing production and practicing economy in Shanghai's neighborhood industrial factories. There are 1,200 neighborhood factories in Shanghai, employing some 250,000 persons. Nearly 70 percent of these employees are young people. Total output value in the first 10 months of 1979 reached 290 million yuan, 31 percent higher than the same period in 1978. Nearly 75 percent of the neighborhood factories are doing processing work for 2,500 enterprises under Shanghai's 26 bureaus and 60 specialized companies. [Shanghai City Service in Mandarin 2300 GMT 7 Nov 79 OW]

**LIAONING SAFETY INSPECTION**—The Liaoning Provincial Revolutionary Committee has formed a production safety inspection group headed by Tan Liren, vice chairman of the Liaoning Provincial Revolutionary Committee. This group consists of persons from 10 units, including provincial bureaus of labor, public health, and chemical industry, the provincial coal mining administration and the provincial council of trade unions. This group is scheduled to begin inspections on 6 November. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 6 Nov 79 SK]

**QUANGZHOU-HONG KONG TELEPHONES**—Automatic dialing of telephone calls between Guangzhou and Hong Kong is now available. Semi-automatic dialing of trunk calls between Guangzhou and Hong Kong began in mid-October. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 23 Oct 79 HK]

**SHENYANG PRICE SURVEY**—On 3 November, Guo Feng, first secretary of the Shenyang Municipal CCP Committee, Song Guang, deputy secretary of the provincial CCP Committee, and leading persons of departments concerned—a total of more than 60 persons—went separately to some nonstaple food stores to carry out the price survey and went also to some on-the-spot meetings to help solve problems. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 7 Nov 79 SK]

**SHANDONG INDUSTRY**—Shandong Province made new headway in industrial production. The gross value of industrial output in October showed a 16.23 percent rise over that in the corresponding period of last year. As to the total output value from January to October, this year's figure surpassed that of last year by 5.1 percent. In October, output of rolled steel, electricity, carbonic soda, soda ash and machine-made paper reached a record high. As of the end of October, the annual production quotas for tractors, motor vehicles and plastic products had already been fulfilled. The second provincial light industry bureau has set up more than 590 retail departments in the province to sell its products, and thus far the total amount of sales has exceeded 250 million yuan. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 7 Nov 79 SK]

**BEIJING ADVERTISEMENT BROADCASTS**—Effective 1 November 1978, Beijing Radio has decided to broadcast advertisements in order to conform with the needs of the four modernizations and promote industrial and agricultural production and trade at home and abroad. The Beijing television station will also broadcast advertisements. [Beijing City Service in Mandarin 2300 GMT 16 Oct 79 HK]

**FUJIAN COUNTY EMBEZZLEMENT**—The Zianyou County public security organ has arrested (Lin Tianfu) for embezzling donations from the Overseas Chinese and overseas remittances and sabotaging the policy on the Overseas Chinese affairs. He was the former vice chairman of the Xianyou County Federation of Overseas Chinese. From 1963 to 1976, he destroyed and forged documents concerning Overseas Chinese and embezzled 37,000 yuan on four occasions. So far, a total of 140,000 yuan has been found to have been embezzled, and further investigations are being made. [Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 30 Oct 79 HK]

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## FINANCE AND BANKING

### REFORM OF SUPERVISORY PATTERN OF BANK CREDIT STRESSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 79 pp 45-51

[Article by Tang Qinghong /3282 1987 3163/]: "On the Reform of the Supervisory Pattern of Bank Credit—A Discussion on the Adoption of Total Sum Credit Method"

[Text] In his "Report on the Work of the Government" delivered at the First Session of the Fifth NPC, Comrade Hua Guofeng pointed out: "We must fully utilize finance, banking and credit in promoting and supervising economic undertakings so as to spur all enterprises to improve management, pay due attention to economic results and accumulate more capital for the state." To accelerate the Four Modernizations, to facilitate the shift of the focus of the whole party's work, and to promote the readjustment, restructuring, consolidation and improvement of the national economy, our work in banking should be improved after summing up the historical experiences. Because of the after-effects of interferences and sabotage by Lin Biao and the "gang of four," the turnover of a huge amount of wealth, as we can see from the use of circulating funds throughout the country, is still slow, and the management of these funds is chaotic. Apart from the lack of attention on the part of the enterprises and the departments in charge to the economic results of circulating funds, the dislocations in the credit system has also aggravated this passive attitude. At present, our banking front is conducting a research on an important reform by adopting a "total sum credit" (1) form of supplying circulating funds. This reform concerns economic relations in many fields and is therefore particularly provocative. Below is some of my personal observations.

#### I

Why is the "total sum credit" to be adopted? The answer is that the present system (whereby fixed-quota circulating funds are appropriated from state budgets and above-quota circulating funds are supplied as bank loans) has difficulties in giving full scope to the supervisory role of credit as an economic lever. Therefore, we must first understand what is the supervisory role of credit after all. People in our economic circles have for many years conducted discussions on this question. However, for various reasons, particularly the influence of the ultra-leftist line, there has been some confusion and

digression in these discussions. For example, is bank credit actually an administrative or an economic instrument? Does it belong to the superstructure or the economic base? Should service or supervision be the main function of bank credit? Is punishment through bank credit considered a form of "control, restriction, suppression and penalty?": How broad should be the scope of the supervisory role of bank credit? Can the "comprehensive reflection" by credit, namely the report on the situation to the parties concerned and its offer of opinions, be called "credit's supervisory function"? This and so forth. Discussions have not been able to shed any light on these questions, and the guiding thoughts for people actually engaged in bank work is still ambiguous. Now should be the time for them to be clarified; otherwise it will be harmful to credit reform hereafter.

To study how bank credits can promote and supervise the activities of enterprises in production, and under what condition it can play this role, it is first necessary to clarify the characteristics and special features of credit in the economic sphere. Marx pointed out: "This movement, disposing on condition of returning, constitutes per se the movement of lending and borrowing, that specific form of conditionally alienating money or commodities." (2) It is thus obvious that credit is a byproduct of commodity and money economy and a special form of the movement of value. Of course, under conditions of capitalism, it is also a reflection of the capitalist relations of production. Under conditions of socialism in our country, despite the different relations of production, credit is still an economic instrument used by the state to regulate and to distribute funds, with certainly the characteristics of an economic lever of value. The basic feature of our bank credit is the movement of money capital under the guidance of state plans, on a reimbursable basis and subject to the charge of interests. From this, we can see that the supervisory role of credit refers to that kind of economic function which exerts its influence on the user unit during the movement of funds. It must be affirmed that credit as an economic lever cannot come under the category of the superstructure; nor can it be treated as something of an administrative nature, or as an administrative instrument. (3)

How is the economic supervisory function of bank credit manifested? Basically, it is manifested in two different ways (4): First, when an enterprise needs funds and the bank knows that it is eligible for the loan, then a certain amount will be loaned to this enterprise for a stipulated period, subject to the charge of interest at a certain rate. Then the loan will effectively support the enterprise in smoothly maintaining or expanding its production, supply and marketing activities in the all-round fulfillment of state plans and in gaining more profits. This shows that economically, credit plays an obvious role of promotion. Secondly, as a contrast to what has just been mentioned, when an enterprise needs funds and the bank thinks that it is not qualified for the loan, then no loan, or a smaller loan will be granted, or some restrictions will be imposed on the duration of the loan. Sometimes, even loans already extended are recalled. In addition, the bank can also raise the rate of interest. In this way, the enterprise will feel the pressure from the difficulty in the turnover of the fund, or will have to bear additional expenses. To



extricate itself from this predicament, the enterprise must quickly improve its producing, purchasing and marketing methods and eliminate the factors which have disqualified them for loans in order to enjoy the support of loans at a lower interest rate. Generally speaking, the supervisory role played by credit is manifested in its effective economic support for or sanction against the enterprises.

Economic support and economic sanction are important factors in promoting the improvement of the enterprises' economic management. Since we want to accelerate the Four Modernizations, we must greatly improve the economic management by enterprises so that it can create more useful material wealth for the state. As an impetus to the enterprises to achieve better economic results, we must, in addition to adopting organizational and administrative measures, attach great importance to the utilization of economic means to strengthen these measures. Supervision by credit is an economic means which is flexible (borrowing and repaying), continuous (continual borrowing and repaying), and compensatory (charging interests) for effectively regulating the business activities of enterprises. This economic means simply cannot be replaced. Describing the special monopoly features of capitalist banks, Lenin pointed out: "...by means of their banking connections, their current accounts and other financial operations, /it is possible/ first to ascertain exactly the financial position of the various capitalists, then to control them, to influence them by restricting or enlarging, facilitating or hindering credits." (5) Although what Lenin referred to was the function of credit of capitalist banks, yet the special economic regulative role on enterprises can still be used in socialist economy. This question was anticipated by Marx and Engels long ago, when they wrote the "Manifesto of the Communist Party." They penetratingly described how, after seizing political power, the proletariat should "centralize credit in the hands of the state, by means of a national bank with state capital and an exclusive monopoly." (6) Based on his knowledge of the new role of capitalist banks in the imperialist age, Lenin scientifically analyzed the special features of socialist economy and drew this conclusion: "Large banks are the necessary 'state structure' for us to realize socialism," and "without large banks socialism cannot be realized." (7) Practice in our country has also proved that bank credit must be used as an economic lever in order to effectively promote and speed up economic construction.

An understanding of the economic character and the special supervisory function in economic activities of credit is of great significance, because, since this supervision is an economic means, it must naturally be governed by economic laws. When we make use of it, we must follow the economic laws; otherwise, we will not be able to attain the desired result. As mentioned above, the question of supervision by credit has been the subject of a long debate. (8) The main trouble is the difference of opinions on the characteristics of credit's supervisory role and the lack of thoroughness in the exploration on the reason why this supervision should be exercised according to economic laws. I had the same mistaken idea before. (9) After over 10 years work experience, however, particularly since studying Comrade Hu Qiaomu's important article "Observe Economic Laws, Speed Up the Four Modernizations," I have become more enlightened and gained a better idea of this problem.

After affirming the economic character and the special supervisory function of credit, we will be able to see the defects more clearly in the present credit system. It must be pointed out that this system was basically derived from Soviet experiences from the 1930s to the 1950s. Despite some improvement made by us, practice has still proved the existence of some serious problems, the salient feature of which is the emphasis on administrative methods in economic management with disregard for objective economic laws. This has brought many troubles to our economic construction. Therefore, it is very necessary for us to sum up our experiences, discover the defects of the system and carry out improvement in earnest. Below are my superficial observations.

First, the grant of loans is now a system of rationing instead of economic accounting. For example, the required conditions for granting a loan, that is, the question of granting or not granting, or of the size of the loan, is not based on the enterprises' actual economic results, but instead, decided mainly on the strength of planned targets handed down from the administrative departments. This is what people usually call "have target, have loan; no target no loan." Little or no attention is paid to such questions as whether the extension of loans according to these planned targets would be suitable to the objective conditions or economic development at that particular time and place; whether the amount of the loan and the undertaking for which it is intended correspond with the requirements of economic accounting; and whether the loan extended would meet the practical needs of the enterprises for production, supply and marketing. For example, the extension of loans for above-quota funds is usually based on whether the enterprise's production has been incorporated in the state plans, and whether the source of materials has been "included in the plans for material distribution." It seems as though as long as there is a "plan," the enterprise will have a "free pass" for the "unrestricted" drawing of funds. Worse still, some loans were extended according to "the superior's will" or on the strength of a "signed slip from the leading cadre." This is even more unreasonable. From the way commercial loans are extended, it is clear that the so-called "supply of funds according to plan for purchasing goods" would mean that anyone who has a plan will be free to draw as much as he likes. Since the commercial loans belong to a combined account of deposits and loans, (10) the bank can save the trouble of routine examination of each entry. The so-called supervisory function by commercial credit is only limited to "the offer of suggestions" to the enterprise afterwards. If the enterprise refuses the offer, there is nothing the bank can do. Therefore, this type of loans cannot have any restricting effect on the enterprises in the economic sense. With the supervisory function of industrial and commercial loans weakened, there will inevitably be serious consequences. For example, why have there been so many instances of enterprises diverting circulating funds to capital construction and to expenditure which should be covered by government appropriation? Why have for a long time some enterprises used loans to cover their losses as the result of management problems? Why cannot the unhealthy tendency toward a buying orgy with "buyers from various enterprises scurrying from place to place" be checked? Why are some commodities in

short supply in the market while there are stockpiles of them in the commercial departments? Why has the practice of commercial, and supply and marketing enterprises misappropriated credit funds for building houses to be used as offices and retail stores become so prevalent? What is even more thought-provoking is that despite repeated instructions from the State Council and the repeated efforts of the banks to clear up the chaos created by the misuse of circulating funds among industrial and commercial enterprises, the "clearing up is followed by chaos again" and "when this part is being cleared up, that part becomes chaotic again" as though clearing and chaos have become an endless cycle? In some places, chaos grows along with progress of clearing up. These appalling wastes, losses and chaotic management inevitable cause serious disruptions in the otherwise harmonious development of the national economy. From this, we can see that if the extension of loans deviates from the economic laws, it can hardly play its supervisory role as an economic lever should. On the contrary, it may even produce less, slower, poorer and less economic results and bring undue losses of state wealth.

Secondly, the recalling of loans can only be used as a means controlling the accounts outstanding at the end of a certain period, but not the others. According to the present loan system, the question of time limits for loans, that is, the question of keeping track of loans in order to withdraw them on time, is not based on the actual speed in the turnover of the funds in an enterprise or on the economic result of these turnovers, but on the increase or decrease of the credit fund. Why so? The reason is that according to the present system, more attention is paid to the outstanding accounts at the end of a certain period than to the current accounts when the utilization of loans is checked. Thus an abnormal situation arises: To avoid reduction of their credit fund allowance in the next plan period, many basic level banks will do their utmost to create a "fait accompli" by preserving or even increasing the number of outstanding loans. (11) For this reason, these basic level banks do not make any real attempt to withdraw the loans when they become due, so as to avoid showing any decrease. The enterprises are only "too willing to cooperate." As long as the money from loans is in hand, they will try to repay as little as possible or to not repay at all. They like to keep the loan, even overdue, in case they may need the money later. At present, many basic level banks are not very keen in withdrawing above-quota loans even though they are due. The so-called "a fixed period for every transaction" is only a formality, because many loans have not been redeemed on time. It is even harder to keep track of the deadline for the repayment of loans extended to enterprises which usually borrow frequently but repay sparingly. People call this practice "cooking everything in one big pot," because it is very difficult to keep track of different transactions. As to the so-called "borrowing for buying and repaying after selling" (12) type of loans, it is even harder to determine the time for these loans to be redeemed. This practice has almost completely turned over the initiative of the bank to the enterprises, leaving the former only the control of the outstanding accounts at the end of the period. Sometimes, even control of these accounts is difficult. From the above, we can easily see that the present credit system actually deviates from the objective laws of the movement of loan funds. It is quite easy to see that problem. As long



as the conditions for the redemption of loans are ignored, how can we expect it to play the supervisory role? At present, the outstanding accounts of industrial and commercial loans are increasing every year, as though there can be no end to the continuing increase. This creates a great pressure on the control of currency circulation. Apart from those used for the expansion of production, purchasing and marketing, a large portion of the new loans were needed because of the stagnation or the slow turnover of funds. Can we remain indifferent in the face of this serious waste?

Thirdly, in charging loan interests, the method used is simple "a stroke of the knife" instead of dealing with each case on its own merits. The charging of loan interests is also a special feature of the supervisory function of credit. If it is efficiently handled, it can greatly help develop the regulatory role of credit in economic activities. But according to the present system, this important aspect is neglected. With the "one stroke of the knife" method, no favorable interest rate is granted to the well managed enterprises which do not tie up funds while no sanction is applied against those who always scramble for funds and produce only less, slower, poorer and less economical results. Thus this situation arises: There is no distinction between large and small loans; no distinction between long and short terms of borrowing; and no distinction between those who redeem their loans and those who do not. If an egalitarian method is used in charging interests regardless of the different economic results of different enterprises, it will no doubt objectively suppress the advanced and protect the backward. This is why many enterprises pay no attention to circulating funds.

In addition to the above problems, there is still something rather ironical. A small number of enterprises, whose fixed quota of circulating funds is rather high and who receive more government appropriation, have made it their practice to refrain from ever approaching the banks for loans, or to return whatever they have borrowed as soon as possible so that they could be free from bank supervision. Thus the supervisory role of bank credit is practically nonexistent.

### III

How should the credit system be reformed? The key lies in attention to the initiative of the supervisory function of credit. I feel that the adoption of the "total sum credit" method for supplying all the circulating funds required by the enterprises should be a positive reform of great significance. However, there has been a lot of debate on the value of this method, and people also have different opinions on the way this method should be used. I feel that this method must not be misunderstood as simply a matter of converting fixed-quota circulating capital out of state appropriations into "total sum credit" from the bank and that is all. Nor can it be claimed that this method is merely a carbon copy of the "total sum credit" used 20 years ago. This reform should be based on a summation of historical experiences in the light of our present realities. Then we should conduct a fresh study of this method. Below are my tentative views on the adoption of the "total sum credit" method.



The general concept is: For the supply of all circulating funds to industrial and commercial enterprises, the old method "fixed quota" should be abolished and replaced by the new method of "classifying loans into different types and charging different rates of interest."

Why should the old method of "fixed quota" be abolished? Practical experiences in our country over many years have proved that the adoption of the "fixed quota management" can by no means be easy, because it calls for the organic coordination of various departments and different quarters. For the enterprises themselves, the successful control of circulating funds can be carried out by the "fixed quota" only when many other management systems are in a condition to function efficiently. For more than 20 years, we have many times tried the "determined funds" method (referring to the minimum circulating funds determined for enterprises according to the fixed quota management system). Yet anyone who has personally experienced this type of work understands that the so-called "determined fund" and "fixed-quota fund management" in the opinion of very many enterprises, is, strictly speaking, nothing but a "big fuss" only as a "formality" rather than any effort to get economic results. How did this happen? The causes are: 1) The method of determined funds is merely a form of scholasticism. As everyone knows, when an enterprise is faced with a situation in which production, purchasing and marketing turn out to be against their subjective wishes, and it is difficult for them to make any forecast, the so-called minimum quota for circulating funds, worked out from "estimates" or "deductions" are usually unrealistic, because things often turn out to be vastly different. The control of funds through fixed quota thus practically loses its effects. 2) Conditions for production, purchasing and marketing in an enterprise change frequently. Even though it may be possible to readjust the quota once a year (which is in practice not likely), it would be still difficult to keep pace with the rapid changes of objective conditions. In future, along with the gradual realization of the Four Modernizations, changes in our national economy can never be forecast annually. In this case, would the determined quota become "historical data" in no time? Furthermore, because of the limited manpower and time in the past, formal readjustment was possible only once every 5 or 6 years, and the quota would be even less effective in its proper role of regulating the economy. Although there have been talks of "annual readjustments," they have rarely been carried out in practice. 3) After the quota of circulating funds has been studied and determined, financial departments at various levels should as promptly as possible transfer the funds. Yet, for various reasons, these funds were rarely "transferred in the correct amounts." The comrades who have had the experience of checking and then setting the quotas all know that no matter how they had tried to do their best, the actual transfer of funds had to depend on how much money was available. So the available amount was simply parceled out until it was all gone and that was the end of the whole matter. Yet it should be noted that the fixed-quota funds thus "parceled out" could not be received until after a certain lapse of time. 4) Under the above-mentioned conditions, and because of the loopholes in the fixed quota system of the circulating funds for enterprises, (and the fact that the quotas usually tended to be lower than actually required) contradictions will be concentrated on the question of bank loans. In the past several years, the amount of bank loans was greatly increased, and some of them have been outstanding for a long time, simply because

these loans were used in place of fixed-quota circulating funds for enterprises. 5. The enterprises have their problems too. Whenever the time comes for the evaluation and determination of quotas, they have to carry out "serious polemics" with the financial departments and banks. As to the "minimum amount required," each party has its own interpretation and the difference leads to endless bickering. Finally, since the financial departments and the banks are in charge of funds and have the upper hand, they could impose their "opinion" on the enterprises. Certainly, these enterprises could not be expected to conscientiously operate according to the quota forced on them. Thus the so-called "checking and evaluation of fund quota" and "fixed-quota management" have become empty talk.

From this, we can see that since the system of "fixed quota," picked up from the shopworn wares of the Soviet Union, has been repeatedly proved by practice as unsuited to Chinese conditions, why should we still hanker after it? We should make up our minds to abandon it and then think no more of it.

What is "classifying loans into different types and charging interests at different rates"? Classifying loans into different types means classifying them according to the ways circulating funds are used by different enterprises. For example, loans can be classified into types A, B and C. Charging interests at different rates means charging low, medium or high rates according to different types of loans. For example, if an enterprises's requirement for circulating funds is reasonable, a low interest rate should be granted. But how to determine whether the requirement is reasonable or not? As everyone knows, the method is to take the best "fund utilization rate for output value" (in industry) or the "fund utilization rate for sales" (in commerce) of an enterprise as the index. Then compute the required amount of funds required to carry out the output value plan, or sales plan, which has been worked out. The result is the required amount of circulating funds to be used as the "average required amount." For managing the circulating funds of enterprises, the amount thus worked out can be considered relatively reasonable for a certain time. On such a basis, the bank should grant a low interest rate. This type of low-interest loan can be simple called "Type A."

If the required funds are more than what is required for the best fund utilization rate, a medium interest rate should be charged, and the loan should be classified as "Type B." By this means, the enterprise will be encouraged to recover its former utilization rate which is considered reasonable. Although this is by no means an extravagant demand, it will, judging from the present situation, require a lot of effort for many enterprises to reduce their fund requirement.

What type of loan is it on which a high interest rate has to be charged? Under what circumstances should this high interest rate be charged? If, after a warehouse inventory and a checking of funds, an enterprise, having already received "Type B" loans, is found to have tied up funds for a long time in overstocked materials (including those materials which are not suitable for the enterprise's own use) or, if an enterprise has improperly diverted funds to

capital construction or used them for payments which should have come out of the government appropriated funds; or if funds have been tied up because of the "three poor's," (13) then the loans for these tied-up funds should be reclassified and charged high-rate interest. This type of high-interest loan is simply called "Type C." Besides charging high-rate interest for a "Type C" loan, it should also be pointed out to the enterprise that it cannot include this high-rate interest in its production cost or its operating expenses. Instead, the amount of high interests should be deducted from its capital fund.

Besides, funds of industrial and commercial enterprises tied up by commodities in normal transit, should also be charged at a low interest rate, but there is no need to go into the details here. However, if an enterprise, in its daily transactions, fails to collect any long standing debts and thus ties up its funds, the loans should be reclassified as "Type C" from "Type A" or "Type B," according to the supervisory function of credit.

As to the way to "classify loans into different types," let us suppose: 1) For "Type A" loans, in principle, a "free deposit and overdraft" account can be used. (This means that in the enterprise's deposit account, overdraft up to a certain amount will be allowed. This amount serves as an index for the control of "Type A" loans.) 2) For "Type B" and "Type C" loans, each loan must be checked individually, and recalled on schedule. 3) The index for "Type A" loans can be raised or lowered. But the annual average cannot be above what has been shown by its best utilization rate. The index for "Type B" loans can be changed according to the enterprise's actual conditions, while "Type C" index can only be lowered but not raised.

What would be the benefits if "total sum credit" is practiced in the above way? In summary, they are mainly because: 1) The "quota fixing" which has been a waste of effort is abolished and its passive function is avoided. 2) Recognition of the enterprises' past achievements and their present conditions will help improve their management of circulating funds. 3) There is great flexibility in the use of the "fund utilization rate" as a means of figuring out the amounts of loans, because it can be used not only as "utilization rate of output value" or "utilization rate of sales," but also as utilization rate of profit in a higher form (such as how much circulating fund is required to produce 100 yuan's profit). Thus, the higher the profits of an enterprise, the larger will be the loans at low interest rate. 4) The "fund utilization rate for sales" can also be used for industrial enterprises as an index for "Type A" loans, so as to promote its production in quantity and quality, to reduce the cost of production, and to better fulfill its task of increasing sales. 5) The "fund utilization rate" used to control "Type A" loans, instead of being based on that of the enterprise concerned, can, under suitable conditions, also be taken from other advanced enterprises of the same line or under the same category within the same locality or throughout the country, to be used as a means of determining the grant of "Type A" loans. In this way, the supervisory function of credit as an economic lever will be given wider scope. 6) "Type B" loans can be extended flexibly according to the actual changes in



the enterprises's production, purchasing and marketing activities in the light of seasonal policies or demands. For enterprises of some trades enjoying high development priority or enterprises requiring stronger support, the terms of loans can be more lenient; on the other hand for enterprises which have to be restricted or regulated, the terms of loans should be stricter. In any case, however, all enterprises should be required to repeat their best performance in the past and even to strive for a higher goal. Only thus can the economic supervisory function of credit be given full scope.

It may be added that the abolition of the "fixed quota" system does not by any means reject this system of management entirely among enterprises. The quotas set for material consumption, for work time, and for expenditures are quite important. When the system of fixed quota management of an enterprise has reached a certain level, the formulation of fixed quota for circulating funds and conscientious implementation of this system are also necessary. Besides, we may even suggest that hereafter, some enterprises can keep part of the above-plan profits to be used as their own circulating funds so that these funds will keep on expanding and thus reduce the volume of credit funds. The question is: Must bank loans be based on the fixed quota of an enterprise's circulating funds. I think this may not be necessary.

#### IV

The question of total sum credit was debated 20 years ago, and I opposed this idea. (14) Some people still think as I did. Therefore, it is still necessary to discuss the question of whether or not this method is required at present. The focal points of contention are:

1. The question of the enterprise's right to self-management. Some comrades said: The system of "total-sum credit" will mean the end of the enterprise's right to self-management, and letting the enterprise "operate without capital," which is "something rare in the world." This method will weaken the enterprise's independence, or deprive it of its independence.

It is my opinion that the question of "independence" should be first clarified. What independence should the enterprise have? Is it correct that it should go its own way in scrambling for funds and producing less, slower, poorer and less economical results? It must be understood that adoption of the "total sum credit" method is merely a change in the form of supplying circulating funds to the enterprises and not a way to deprive them of their rights in the rational use of funds. As long as the enterprises can produce greater, faster, better and more economic results in their business operation, they will be enjoying even greater independence in the use of funds.

2. The question of the enterprises' economic accounting. Some comrades said: The system of "total sum credit" increases the enterprises' burden in the form of interests, and that this is an "unnecessary way to increase production cost" and to "channel their profits to banks." This, they claim, is disadvantageous to economic accounting.



I feel that if an enterprise produces less, slower, poorer and less economical results, it is true that the total sum credit exerts heavy pressure on it, especially if it makes improper use of funds. In this case, it has not only to pay interest, but also to deduct the amount of interests from their capital funds instead of including it in production cost. The proposed method will exactly serve the purpose of supervision and help the enterprises to eliminate the defects, to improve their business operation and to produce greater, faster, better and more economical results. Then how can it be disadvantageous to economic accounting? The argument that the "total sum credit" will reduce the profits to be handed over to the state is also untenable for the reason that, by strengthening the supervisory function of credit, the enterprise will improve its business operation and increase its profit. With improved utilization of the circulating funds, its remaining "Type A" and "Type B" loans will be reduced or even disappear. Therefore, the worry that the enterprise's profits will be channeled to the banks is unnecessary.

3. The question of circulating funds being controlled by several parties. Some comrades feel that after adopting the "total sum credit" method, the financial departments and the enterprises will have virtually no control over the circulating funds, and the "three-party control becomes a one-party control." This will weaken the control and supervision over circulating funds.

I feel that adopting the total sum credit method and strengthening the supervisory function of bank credit means the use of economic methods to manage economic affairs. The financial departments and the departments in charge of the enterprises are essentially administrative organs. This does not mean that administrative organs should abandon their control over the circulating funds of enterprises, but the question is that economic means should be increased and administrative means reduced. Some enterprises have said: "The more the bosses, the more likely will be the appearance of three controls and three noncontrols." I feel that these remarks are not without reason.

4. The question of the bank's ability to do the job exclusively. Some comrades fear that the total sum credit method means the bank's exclusive responsibility for circulating funds, and that if the job is not done well, the bank may be forced to "open up its vault and issue banknotes."

In my opinion, the question of "exclusive responsibility" is already a fait accompli. It objectively exists even though people may not recognize it. In the past several years, the "fixed quota" method was called "rigidly fixed quota but flexibly allocated funds." Failure to allocate sufficient funds as provided under the fixed quota system has been only too frequent. When enterprises are short of funds, they naturally turn to the banks. Banks are in daily touch with enterprises, and therefore they must do something. So the essence of the question is the way the "responsibility" is fulfilled. If this is done efficiently, it will not only reduce the issue of notes but also help regulate currency circulation according to plan. To make it brief, strengthening the supervisory function of credit will change the role of banks from passive to active. For both the financial departments and the banks in future, it is necessary to stress the need to appropriate sufficient funds for

credit according to the annual budget based on the actual increase of production, purchasing and marketing in order that the balance among financial allocations, bank credits and materials can be maintained.

#### FOOTNOTES

1. "Total sum credit" means that all circulation funds are to be obtained in the form of bank loans instead of government appropriations.
2. Marx, "Das Kapital," Vol 3, translated by Guo Dali and Wang Yanan, People's Publishing House, 1953, p 433
3. Refer to Wang Kehua, "Credit in Our Socialist Economy," Finance and Economic Publishing House. Comrade Wang Kehua held that the administrative character of credit's supervisory role can be considered as an economic character.
4. Bank credit as a "barometer" because of its role as an instrument to reflect comprehensively our national economy essentially serves to reflect on the condition of credit work and should not be a function in the movement of monetary funds. This is a monographic question to be separately studied. It is not being dealt with here.
5. Lenin, "Imperialism, the Highest Stage of Capitalism," "Selected Works of Lenin," Vol 2, p 757
6. Marx and Engels, "Manifesto of the Communist Party," "Selected Works of Marx and Engels," Vol 1, p 272
7. Lenin, "Can the Bolsheviks Retain State Power?" "Selected Works of Lenin," Vol 3, p 311
8. Please refer to Gao Xiang's "Correctly Develop the Supervisory Function of Credit," DAGONG BAO, 4 Nov 1963. ZHONGGUO JINRONG Nos 10, 12 and 16, 1964 carried related articles. Wang Lan and Liu Hongru, "The Problem of Socialist Bank Credit," Finance and Economics Publishing House. Wang Kehua, "Credit in our Socialist Economy," Finance and Economics Publishing House.
9. Please see my "Discussion of the Character, Contents and Methods of Supervision by Credit," ZONGGUO JINRONG No 10, 1964
10. "Combined Account of Deposits and Loans" here refers to the combination of the enterprise's deposit account and loan account into one account for convenient deposits and withdrawals.
11. High level banks generally set the quotas of credit funds for basic level banks according to the total amount of outstanding loans at the end of a certain period.
12. "Borrowing for buying and repaying after selling" means that enterprises can freely draw funds for buying goods. After selling the goods, they can deposit the money and call it repayment. Here both deposit and withdrawal are in the same account.
13. "Three poor's" means "poor quality, poor quantity and poor price" which are the causes of losses of materials in storage. Before being verified, these losses account for the discrepancy between the amount of circulating funds in use and the actual value of the materials. After verification and adjustments, these will be charged to another account.
14. Please refer to my article "On Bank Credit for State Industry," CHINESE ECONOMIC PROBLEMS, No 5, 1964.

## **FINANCE AND BANKING**

### **BRIEFS**

**SHANGHAI FINANCIAL SOCIETY**—The Shanghai Municipal Financial Society was inaugurated on 6 November. The main tasks of the society are academic research into financial affairs and financial science, investigating and studying new situations and problems in financial work, seeking methods and ways of solving such problems and holding academic discussions. (Wang Weizheng), director of the Shanghai Municipal Financial Bureau, was appointed president of the financial society. (Ma Yixing) and (Yan Chengxing) were appointed advisers. [Shanghai City Service in Mandarin 1130 GMT 6 Nov 79 OW]

CSO: 4006

## FUELS AND POWER

### CONSERVATION, DEVELOPMENT OF ENERGY RESOURCES SHOWING RESULTS

Beijing GUANGMING RIBAO in Chinese ]3 Oct 79 p 2

[Article: "Beijing Municipality Begins To See Results in Conservation and Development of Energy Resources Endeavors. Develop Resources and Staunch Flow; Vigorously Bring Potential to Light; Expand New Technology"]

[Text] Correspondent Chen Mingzhang [7115 2494 3864] reports: Along with its preoccupation during the past several years with coal, petroleum, and electric power industries, Beijing Municipality has shown rather great concern about endeavors to conserve and to develop energy resources. City-wide efforts to use waste heat, to better backward technical equipment, the expanded application of new technology applied to conservation of energy, and experimental research of new energy resources have all registered definite achievements. According to income statistics from 1978 until the first half of this year, factory and mining enterprises throughout the city conserved a total of 670,000 tons of raw coal, 50,000 tons of heavy oil, and 300 million kilowatt-hours of electricity. Under the unified leadership of the municipal committee, the Municipal Conservation Office, the Coal Conservation Office, the "Three Electric" Office, and the Methane Gas Office, all of which are the offices concerned, individually adopted measures and did the following things.

#### 1. Actively Use Waste Heat

The potential for use of waste heat in Beijing Municipality is very great. According to preliminary statistics from the investigation of 70 enterprises, every year more than 3.4 million kilocalories of waste heat is available for use amounting to about 600,000 tons of raw coal. National investment over the past 3 years spent on putting waste heat to use amounted to 13.5 million yuan; outlays by the enterprises themselves amounted to 1 million yuan; and steel amounted to more than 5000 tons. Currently there are more than 120 heat utilization projects citywide for which funding has been completed, and there are an additional several score of projects presently under construction. Almost 2 trillion kilocalories of waste heat have now been put to use throughout the city amounting to 57 percent of the waste heat or the equivalent of an annual saving of 350,000 tons of raw coal.



The current principal targets for utilization of waste heat in Beijing are some large consumers, such as No 1 Electric Plant, which has a shortage of heating steam in winter but has a surfeit of it in summer. During the period 15 March to 15 October of each year, it has an hourly excess of more than 200 tons. In order to make fullest use of this steam, they have recently made arrangements for the No 8 Works of the Beijing Printing and Dyeing Mill to use the steam from the No 1 Electric Plant during the summer months. Through the adoption of this measure, about 63,000 tons of coal can be saved annually as well as 12 tons of heavy oil, and 300,000 kilowatt-hours of electricity. The Sulfuric Acid Shop of the Beijing Printing and Dyeing Mill has installed an 8 ton waste heat boiler capable of producing 90,000 tons of steam each year amounting to about 15,600 tons of raw coal. The Beijing Steel Plant used 100,000 yuan to install a waste heat boiler. Now, in addition to being able to heat the entire plant during the 8-month heating season without firing the boilers, a saving amounting to 39,000 yuan worth of fuel is effected each year permitting return of capital within 3 years. Steam boilers at the Beijing No 2 Daily Necessities Chemical Plant were not used to generate electricity, but with the installation of two steam-operated electric turbines at a cost of 470,000 yuan, electric capacity now amounts to more than 2 million kilowatt-hours annually with recovery of costs possible in from 3 to 5 years. At the settling pond of the Capital Steel and Iron Works, 500 million kilocalories of waste heat was available for use daily. Now it is being used as a source of hot water for heating purposes to heat an area of 400,000 square meters that would otherwise require 60 boilers at an annual winter saving of 24,000 tons of coal, 1.1 million kilowatt-hours of electricity, and a saving in expenditures of 850,000 yuan.

## 2. Improvements To Boilers and Furnaces of Low Efficiency.

Beijing has almost 10,000 boilers of which low efficiency boilers with a heating efficiency below 50 percent number 7000. Of these, the heating efficiency of 5,600 has been improved in varying degrees after several years of improvements, and the heating efficiency of another more than 2,000 has been increased by 15 percent or better for an annual saving in coal of about 300,000 tons or more. Improvements to a portion of the cupola furnaces, the glazing pond furnaces, the salt bath furnaces, and the steel rolling heating furnaces throughout the city can affect a saving of almost 10,000 tons in the amount of coal burned. 4000 tons of heavy oil, and 22 million kilowatt-hours of electricity.

Concurrent with improvements to low-efficiency boilers and furnaces during the past several years has been an expansion in Beijing of new energy-conserving technologies such as oozing water into heavy oil, reburning of furnace cinders, bubbling boilers, and infra-red rays for heating, which have brought very good results. For example, the reburning of furnace cinders (which is screening furnace ashes for reburning). When infiltration capacity does not exceed 10 percent, 59 tons of ashes can equal 1 ton of good coal. According to statistics from four coal plants, when a total of 300,000 tons of ashes are used each year, a saving of 50,000 or 60,000 tons of coal is possible. Or in the case of the bubbling boilers, by using one-half low-grade coal and one-half gangue, heat generation can reach about 3,000 kilocalories. In 1978

there were a total of 54 bubbling boilers that consumed 210,000 tons of low-grade coal of which about 20,000 tons was gangue.

### 3. Planned Use of Electricity

On the basis of a survey conducted in Beijing last year on the consumption of electricity by 2,100 units of 20 bureaus responsible for work, licensing of 1,848 units was done and quarterly inspections were made on electricity consumption for 60 varieties of articles and 100 products. Now consumption of electricity for 87 percent of manufactures has fallen to the prescribed quota with a saving in electricity of 87 million kilowatt hours. Additionally measures were taken against 210,000 fixed rate consumers of electricity throughout the city among whom 9,000 households had electric meters installed saving 10 million kilowatt-hours of electricity. A revamping of the use of electricity by small fertilizer industries with a high consumption of electricity was done to bring the prescribed times of electricity consumption to average consumption levels within the country. They also made improvements in equipment that use electricity such as improvement in coal mine ventilators, expanded use of far infra-red spectrum drying in light industries, and energetic development of waste heat to generate electricity, etc.

### 4. Development for Use and Expansion of New Energy Sources

Beijing Municipality also began to do some work with the development and expansion of use of new energy sources such as solar energy, geothermal energy, and methane gas. Expansion in the application of solar energy to hot water devices has developed quite rapidly. The light collecting area for heat concentration devices throughout the city now stands close to 40,000 square meters with the annual heat equivalent of more than 16,000 tons of coal. Good results have been obtained, additionally, in the use of solar energy to make ice and in conservation within concrete structures. Use of solar energy to heat building space, to cook foods, and in solar-energy batteries is also being experimented with.

In the southeastern part of Beijing, geothermal energy sources are abundant. It is preliminarily estimated that 50,000 tons of hot water can be supplied every day and night for use. The water temperature is about 50°C, and it is currently finding partial use in the heating of homes, in providing hot water for plants, in hot baths for medical treatment, and in the bath house service trades. If all of the hot water in the hot water wells of Beijing could be put to use, it is estimated that 300,000 tons of coal could be saved.

Since 1975 the Beijing suburbs have constructed more than 30,000 methan ponds among which half regularly produce gas. Up to 100 production brigades have switched to methane for a saving in both manpower and in firewood and coal, and the salts can also be returned to the fields. A family of five using a methane pond can save about 1,000 or 2,000 jin of coal a year or burn 2,000 or 3,000 jin less of firewood and straw amounting to an expenditure of 50 yuan. Though Beijing has made definite accomplishments in its endeavors

to save coal and develop energy sources, a great potential still exists. There is still a lot of waste, numerous "leaks" that must be plugged, and a lot of "trash" that can be used. Some "big consumers" of energy such as Capital Steel have yet to put a portion of their waste heat to use. As compared with advanced levels, both domestic and foreign, the expenditure of energy resources for manufactures by enterprises citywide tends to be high and the heating efficiency of fuels rather low. The structure and use of energy resources citywide is not entirely rational, estimative work on energy cannot catch up, and technical equipment is backward. There are numerous reasons for these problems, chief of which is lack of a scientific, economically sensible energy policy. The city has no unified energy administration, and in many enterprises no one is responsible for energy consumption nor is any economic responsibility taken for it; inadequate attention is still being given energy science and technology work.

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CSO: 4006

## FUELS AND POWER

### CHINA AMONG WORLD LEADERS IN COAL, ELECTRIC POWER, OIL PRODUCTION

Beijing BEIJING RIBAO in Chinese 4 Oct 79 p 4

[Article: "Our Country Ranks Among World's First Eight in the Production of Coal, Electricity, and Petroleum"]

[Text] In the 30 years since the establishment of the Chinese People's Republic, great changes have taken place in our country's ranking among the countries of the world in the production of coal, electric power, and petroleum:

	Initial Period After Founding	Now
Coal	Tenth Place	Third Place
Electric Power	Twenty-fifth Place	Seventh Place
Petroleum	Twenty-ninth Place	Eighth Place

As of the present, our country has built 26 oil fields at Daqing, North China, Shengli, Karamai, and Yumen with an annual output of more than 100 million tons of crude. Our petroleum workers are not only able to bore 1,500 meter and 3,000 meter drilled wells but are capable of 5,000 and 6,000 meter deep wells. Exploratory drilling in the oceans is also constantly underway. Every refinery each year refines large amounts of high quality gasoline, kerosene, diesel oil, and grease to supply the needs of industry, agriculture, and the national defense sector with more than 640 varieties.

Our coal resources are abundant. Proven geological reserves currently stand at 60 billion tons, and annual production of raw coal stands at somewhat more than 610 million tons. During the past 30 years a total of 1,492 mines and wells have been newly opened for production in our country. Of these, those areas with an annual production of 10 million tons number 12; those areas with an annual output of 5 million tons number 9, and throughout the country 1221 of the 2137 countries are operating local coal mines. Major coal mines throughout the country are either fully mechanized or semi-mechanized, and progress is being made toward the total mechanization of coal mining.



The face of the electric power industry is also constantly changing. Nationwide, electrical generation capacity stands at more than 5.211 million kilowatts, and last year 256,550 million kilowatt-hours of electricity were generated. On the Yellow River, great hydroelectric plants have been built at Liujia Gorge, Qingtong Gorge, and Yanguo Gorge. The first large scale hydroelectric plant on the Yangtze River, the Gezhou Dam Power Station, is being feverishly built. Our country has a total of 61 hydraulic power and hydroelectric power stations with an installed capacity of 250,000 kilowatts. Small hydroelectric power stations and medium size thermal power plants dot the landscape throughout the country.

Our country's energy supply is presently still rather tight, and this has adversely affected industrial production capacity in some areas. It is understood that the tight supply results from an imbalance in development and from much waste in the consumption of energy resources. There is much room for the conservation of fuel by industry in our country, and if the speed of development of the national economy is to be accelerated, naturally there has to be a vigorous development of coal, petroleum, and electric power, but there will have to be, at the same time, a major effort to reduce the consumption of fuels.

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## FUELS AND POWER

### HIGH YIELD OIL, GAS FLOW DISCOVERED IN NORTHERN SICHUAN

Beijing BEIJING CONGREN RIBAO in Chinese 22 Sep 79 p 1

[Article by correspondents Tang Daiqing [0781 0108 3237] and Wang Yuan [3769 3293]: "Our Country's Petroleum Geological Front Again Relays Joyous News to Gladden the Heart. Sichuan Petroleum Survey and Prospecting Command Bring in Oil and Gas Well of High and Stable Yields in Northern Sichuan"]

[Text] Our country's petroleum geological front has again relayed joyous news to gladden the heart: the Sichuan Petroleum Survey and Prospecting Command of the Ministry of Geology has struck an oil and gas flow of high yield in northern Sichuan. On the 20th, the Sichuan Provincial Revolutionary Committee and the Ministry of Geology held a solemn meeting to celebrate victory and pass out awards in Chengdu to honor the meritorious units responsible for bringing in the high yield oil and gas flow.

The Sichuan Basin is the oldest oil-producing area of our country. To find oil and gas in Sichuan was the wish of Chairman Mao and Premier Zhou during their lifetimes. The broad masses of employees of the Sichuan Petroleum Survey and Prospecting Command started survey and prospecting operations in the northern part of Sichuan. They repeatedly probed and studied, using seismic surveys in particular, to discover in northern Sichuan a prospective trap containing petroleum, and it was in this structure that they carefully planned the first test well. The drilling team of the Eleventh Survey and Prospecting Brigade accepted the task of drilling this well. Drilling began for the first time on 21 January of this year. The workers liberated their thoughts, courageously practiced, and overcame various difficulties. Using new high speed jet drilling technology, they carefully worked, always mindful of high quality, effectiveness, safety, and low cost, to drill a survey and prospecting system in the hard strata, drilling 1,000 meters in 10 days and 2,000 in a month to make a new record, finally on 25 May bringing in an oil and gas well of high and stable yields of industrial value. After continuous observation and testing, the pressure and output of the well was virtually stabilized. For the past

4 months and more, the limpid and light grade crude oil has gushed forth from the well in a steady stream, producing at the same time a large quantity of natural gas. This marks a joyous and important achievement for petroleum survey and prospecting work in the Sichuan area after many years of effort. Development of a new reserve oil and gas resources base in the northern part of Sichuan opens a new situation.

By way of honoring the units that made the contribution in obtaining a high yield flow of gas and oil, the Sichuan Provincial Revolutionary Committee and the Bureau of Geology decided to award a collective Merit Citation Class 1 to the 6004 Drilling Team of the Eleventh Survey and Prospecting Brigade for their creation of a new record in high-speed drilling as well as in bringing in a high yield oil and gas flow; a collective Merit Citation Class 1 to the Seismic Team to the No 2 Physical Prospecting Brigade for proving out the subterranean structure and providing reliable seismic data; a collective Merit Citation Class 2 to the command's Geological Brigade (formerly the Geological Research Team of the Second Survey and Prospecting Brigade) for its contributions in analyzing the seismic data and accurately positioning the well; and separate Merit Citations Class 3 to the Testing Unit of the Well-Bottom Operating Brigade, to the Motor Car Team of the command, and to the General Pipe Center.

At the meeting to celebrate victory and make awards, the decision of the Sichuan Provincial Revolutionary Committee and the Ministry of Geology honoring the six meritorious units, including the drilling team of the Eleventh Survey and Prospecting Team, as well as the telegram of citation from the Ministry of Geology were read aloud. Certificates of merit were issued to the meritorious units, with the two units cited collectively for a Merit Citation Class 1 being issued award banners and all units being individually awarded a 20 cun color television set.

The Sichuan Provincial Revolutionary Committee deputy chief, He Haoju [0149 6787 3515] and an officer-in-charge at the Ministry of Geology, Zhang Tongyu [1728 0681 6877] spoke at the meeting.

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## FUELS AND POWER

### BRIEFS

**HANGZHOU ENERGY CONSERVATION**—Industrial front in Hangzhou Municipality, Zhejiang, saved 51 million kwh of electricity and 64,00 tons of oil and coal in the first 10 months of 1979. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 11 Nov 79 OW]

**ZHEJIANG POWER LINE**—Hangzhou, 2 Nov—Another 121-kilometer-long, 220,000-volt power transmission and transformer line has been installed between Hangzhou and Jiaxing in Zhejiang Province. The completion of this power line provides a second circuit between the two places. Built along this line are 343 concrete poles and 36 iron towers of approximately 40 meters each in height. [Beijing XINHUA Domestic Service in Chinese 0233 GMT 2 Nov 79 OW]

**GUANGZHOU INDUSTRY ELECTRICITY**—Guangzhou Municipality has issued certificates to 68 factories, to supply electricity to them in accordance with the amount stipulated on the certificates. [Guangzhou Guangdong City Service in Cantonese 0430 GMT 24 Oct 79 HK]

**GUANGZHOU ELECTRICITY ECONOMY**—The industrial departments in Guangzhou have scored new achievements in economizing electricity. In the first 8 months of this year, 40.8 million kilowatt-hours of electricity were saved throughout the municipality. Of the 22 units subordinate to the Guangzhou metallurgy bureau, the No 1 persons of 13 units have personally grasped the work of economizing electricity. The economic departments in the municipality have conducted serious study on products that use a lot of electricity and made efforts to reduce their electricity consumption. [Guangzhou Guangdong City Service in Cantonese 0430 GMT 24 Oct 79 HK]

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## HEAVY INDUSTRY

### 'RADIO SHANGHAI' REPORTS ON CITY'S METALLURGICAL INDUSTRY

OW071815 Shanghai City Service in Mandarin 1130 GMT 6 Nov 79 OW

[Text] According to a RENMIN RIBAO report, Shanghai's iron and steel industry has scored gratifying results this year in the course of readjusting the national economy. It has set clear-cut goals in production, and turned out products to meet society's needs.

For a long time, the industry regarded the practice of "taking steel production as the key link" as the guideline in the development of national economy. This not only caused a serious imbalance in the national economy, but also prevented agriculture and light industry from meeting the needs of the people. Many problems also cropped up within the iron and steel industry. 1) Emphasis was given to steel production instead of to varieties and specifications of products. Thus, some of rolled steel products were not exactly what the city needed, causing an overstock of such products. 2) The industry regarded itself as the "commander." It wanted people to subordinate themselves to the industry instead of subordinating itself to the people. It wasted a large amount of the state's financial and material resources but made only a little profit.

In the course of implementing the principle of readjusting, restructuring, consolidating and improving the national economy this year, the Shanghai Metallurgical Industrial Bureau believes: The city's iron and steel industry can no longer afford to continue its malpractices. The iron and steel industry is an important sector of the whole national economy. To develop this industry well and flexibly will mean great achievements. Otherwise, we will suffer great losses. On this basis of this understanding, the municipale metallurgical industrial bureau has incessantly tried to find ways to solve problems. It has adopted the following measures:

1. Efforts have been made to increase rolled steel varieties and to improve production quality. Since the beginning of this year, the production of products in short supply has been increased by more than 30 percent. For the first 8 months of this year, the amount of rolled steel processed

for more than 10 provinces in support of agriculture has been increased by 70 percent. The city has also turned out large quantities of manganese steel used in the production of high-quality bicycles and of stainless steel used to produce ballpoint pens and medical instruments and equipment.

2. Efforts have been made to drop pretentious airs as the "commander" and to take the initiative to serve all trades and professions. Workers have been sent out to solicit consumer opinions.

At the meeting held in the Shanghai area on placing orders for goods, the leading cadres of the municipal metallurgical industrial bureau and the iron and steel mills under its administration tried their best to meet consumer demands. Contracts involving a total of 554,000 tons of iron and steel products were signed at the meeting, satisfying 97.3 percent of the consumers' needs. The metallurgical industrial departments also eliminated the unhealthy practice of forcing consumers to buy certain slow-moving steel products when the consumers asked them to process certain products. The consumers clapped and shouted "bravo."

3. Efforts have been made to pay attention to profits. For the first 8 months this year, the total output value is 9 percent higher than in the same period last year, and the profit made during this period is 22 percent higher than in the corresponding period last year.

4. Efforts have been made to conserve energy and take the initiative to make way for the light industry and textile industry. Problems involving relations between "bones" and "meat" have been solved, and the workers' well being has been taken care of.

CSO: 4006

## LIGHT INDUSTRY

### BRIEFS

**TIANJIN TEXTILE INDUSTRY**--Tianjin Textile Industrial Bureau prefulfilled state plan by 2 months. By the end of October, the total industrial output value overfulfilled the annual state plan by 1.1 percent, an increase of 10.7 percent over the corresponding period in 1978. [Tianjin City Service in Mandarin 1330 GMT 9 Nov 79 SK]

CSO: 4006

## CAPITAL CONSTRUCTION

### BRIEFS

**SHANGHAI CAPITAL CONSTRUCTION**—Shanghai has speeded up construction of key projects by scaling down capital construction. In the first 10 months of this year, projects under construction throughout the municipality had a floorspace of 1.47 million square meters and housing units under construction covered a floorspace of 1.76 million square meters. In accordance with the policy of readjusting the national economy, the municipality has canceled construction of 190 projects. Departments concerned recently recommended that another 150 departments concerned recently recommended that another 150 projects be suspended. [Shanghai City Service in Mandarin 2300 GMT 6 Nov 79 OW]

**GANSU HOUSING CONSTRUCTION**—Lanzhou, 11 Nov—Lanzhou City, capital of Gansu Province in Northwest China, is building half a million square meters of domestic floor space this year. It is more than that built in the city in any previous year. Lanzhou is a developing industrial city with a population of 830,000. In order to speed up housing construction, the city put aside 130 million yuan (U.S. 87 million) and more than trebled the workforce in the building industry this year. So far more than 3,000 families have moved into the new estates, and another 5,000 families will move into new homes before the end of this year. The estates, made up mainly of four or six-story apartment buildings, have their own shops, schools, cultural centers and parks. [Text] [Beijing XINHUA in English 0711 GMT 11 Nov 79 OW]

**JIANGSU BUILDING TECHNICIANS**—Nanjing, 9 Nov—A total of 223 building technicians have been trained in rural areas in Jiangsu Province since 1976, with the help of the Nanjing building engineering school. At present, each of the 1,800 rural people's communes in the province has its own building station, which is staffed by two or three hundred peasants. Nearly 1,000 new villages in the province have recently been built or are under construction, including two or three storied housing. Some are designed by peasant technicians. With the development of farmland capital construction and the raising of peasants' living standards in recent years, it is necessary to rethink the planning of many villages. Young peasants with junior-middle school education and two years' experience in the building trades [word indistinct] be admitted to the training courses. Three months study equips students to draft simple plans including those using reinforced concrete. [Beijing XINHUA in English 0708 GMT 9 Nov 79 OW]



**GUANGZHOU HOUSING CONSTRUCTION**—In June 1979, after the enlarged meeting of the Guangzhou Municipal CCP Committee put forward the demand to speed up the construction of residential houses, the housing construction departments in the municipality have further strengthened their leadership. By the end of September, the construction of 670,000 square meters of housing areas were underway throughout the municipality, exceeding the total for all of 1978. Some 160,000 square meters of houses have been completed. The areas completed in the third quarter were 200 percent higher than the total of the first half of this year. [Guangzhou City Service in Cantonese 0430 GMT 26 Oct 79 HK]

**JIANGXI HOUSING PROJECT**—Construction of the first block of a 100,000 square meter housing project in Nanchang Municipality has been completed. Attending the completion ceremony were leaders and representatives of the Nanchang Municipal CCP and revolutionary committees, the Nanchang garrison and departments concerned of the province and municipality. (Zhang Wanhai), deputy secretary of the Nanchang Municipal CCP Committee, cut the ribbon of the newly completed block. [Nanchang Jizngxi Provincial Service in Mandarin 1100 GMT 26 Oct 79 HK]

**KUNMING CONSTRUCTION CONTRACT SYSTEM**—Since the beginning of this year, the provincial and municipal construction units in the Kunming area have tried the overall contract system for capital construction projects and have scored very good achievements. The Kunming Municipal Capital Construction Committee recently held an on-the-spot meeting in the No 1 Work Team of the No 2 Company of the No 4 Construction Engineering Bureau. The participants unanimously held that greater, faster, better and more economical results can be achieved through the implementation of the overall contract system. The system works as follows: The work team selected 44 brick layers, carpenters, masons and other workers to form a composite work group which in turn democratically elected two group leaders. The work team then contracted construction projects for the work group and established quotas regarding work-days, materials and quality and duration of the projects. For any work-days saved, bonuses are paid to the workers according to their average wages. However, the same amount is deducted for any extra work-days required. A certain percentage of the materials saved are distributed as bonuses, while the same sanction will be imposed for material consumption in excess of the quotas. Bonuses will also be deducted for substandard work. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 30 Oct 79 HK]

CSO: 4006

## DOMESTIC TRADE

### 'TIANJIN RIBAO' CALLS FOR BAN ON ILLEGAL STREET TRADING

HK021221 Tianjin TIANJIN RIBAO in Chinese 22 Oct 79 p 1 HK

[Article in "Cry of the Masses" column: "Illegal Street Trading Should Be Banned"]

[Text] Our newspaper has recently received many letters from readers which reflected the fact that some people have been reselling at high profit certain articles of everyday use whose supply falls short of demand. In some places from the department store building to Quanye Chang, 10 to 20 of these trading places can be found and in some other localities several dozen can be found. Some of these high profit traders hold up their goods, some of them hawk their goods among the crowds and others set up stalls to cry their wares. Recently, the goods which have been resold at high profit are mostly women's shoes, and others include embroidered quilt covers, sleeveless vests, children's jackets and trousers, organic glass objects, artistic brooches and so on.

The goods sold by these profiteers have mostly been fraudulently purchased or purchased in a rush from the state-run shops and subsequently sold at high prices. For instance, a pair of women's semi-high-heeled shoes costs 13.7 yuan in the shop but is sold by these people at 16.5 yuan; a pair of women's synthetic leather semi-high-heeled shoes costs 12.2 yuan in the shop but is sold by these people at 17.6 yuan. Again, a Beijing made embroidered quilt cover costs some 10 yuan, but these people sell it at 13.6 yuan; a women's broad-shouldered sleeveless vest originally costs 0.85 yuan, but they sell it at 1.6 yuan; bubble gum originally costs 0.03 yuan, but they sell it for 0.08 yuan. The readers' letters also reflected; some profiteers have sold fake medicine on the road, such as the so-called specific drug for toothache sold at 0.1 yuan a packet. However, when the buyers open the packet and take a close look of what is inside, they find that the drug in fact consists of cutup bits of ordinary soap. There are also some people who sell printed matter on wax paper on the road, stuff like "scientific fortune-telling" to spread feudal superstitious ideas and poison the masses.

The readers' letters also reflected: Most of these people are young people. This shows that this kind of illegal profiteering activities is corrupting certain young people, and this merits our attention. Some readers pointed out in their letters: There are also some people in the Beiyingmen and Nanshi areas who engage themselves in illegal timber trading activities, making things very easy for people who steal public-owned timber.

The readers unanimously demanded in their letters: We must strictly ban this kind of illegal profiteering activities, which disrupt the markets. We demand that the industry commerce administrative departments and the public security traffic control departments jointly adopt measures to curb these activities.

CSO: 4006

## DOMESTIC TRADE

### BRIEFS

**ZHEJIANG CATERING TRADE**—Hangzhou, 5 Nov—Zhejiang Province has taken effective steps to control prices in the catering trade so as to protect customer interests. In Hangzhou Municipality, the prices of some 400 out of 700 items rose 25 percent following the rise in the prices of nonstaple foodstuffs. After steps were taken, the number of items subjected to price hikes has been cut by about 100, and the raises were reduced to 20 percent. [Beijing XINHUA Domestic Service in Chinese 0157 GMT 5 Nov 79 OW]

**BEIJING PRICE SURVEY TEAM**—Beijing Municipality has formed a price survey team headed by Wang Chun, secretary of the Beijing Municipal CCP Committee and vice chairman of the municipal revolutionary committee. This 300-person price survey team is composed of delegates of the Beijing Municipal People's Congress, members of the Municipal CPPCC Committee, members of the municipal revolutionary committees and representatives of departments concerned. Before starting their mission on 10 November, the Beijing Municipal CCP and revolutionary committees held a meeting of all team members on 9 November. Comrade Wang Chun spoke at the meeting. He called on all team members to sincerely examine the commodity prices of all trades in various localities and help them solve problems in a timely manner so as to serve the people better. [Beijing City Service in Mandarin 1030 GMT 10 Nov 79 SK]

**SICHUAN MUNICIPALITY INDUSTRY, COMMERCE**—The industry and commerce administrative departments in Chongqing Municipality have officially issued licences to those who have applied for jobs in the services, catering, repair and handicraft industries. The licences have been officially approved by the Chongqing Municipal Revolutionary Committee. The new openings have made up for the lack of the state and collective enterprises. [Chengdu Sichuan Provincial Service in Mandarin 2310 GMT 21 Oct 79 HK]

**SICHUAN FOODSTUFF PRICES**—Beginning on 1 November, the average sales price of pork in Sichuan is being raised from 0.68 to 0.9576 yuan per jin. In Changdu and Chongqing, the price per jin is being raised from 0.77 to 1.05 yuan. Elsewhere the price will vary according to supply. Prices of beef and mutton will be adjusted to correspond to the pork prices. The average price of hen eggs in the 35 markets controlled by the provincial authorities is being raised from 0.76 to 0.95 yuan per jin. Prices of other foodstuffs will go up in varying degrees, but that of vegetables will in



general not rise and should fall somewhat in places. [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 2 Nov 79 HK]

**HUNAN GRAIN, OIL PRICES**—In accordance with the decision of the State Council, the grain departments in Hunan are maintaining stable sales prices of grain and edible oil. At present, these departments are rectifying their management and style of work, resolutely curbing disguised price hikes and effectively insuring the quality of grain and edible oil. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 27 Oct 79 HK]

CSO: 4406

## FOREIGN TRADE

### POLITICAL TRANSFORMATION OF FORMER CAPITALIST RECOUNTED

Shanghai WEN HUI BAO in Chinese 14 Sep 79 p 4

[Article by Zheng Zhong [6774 6850]: "He Mastered His Own Destiny--A visit to Rong Yiren"]

[Text] It was already quite late at night. Rong Yiren [2837 3015 0088] pushed away the various documents atop his desk, stood up and walked into the yard to stretch a little. There was still some remnant summer vapor left from the day which was surging at this time from the bricks paved on the flat ground. The monthly roses and tuberose plants in a corner of the yard, though impossible to distinguish the red ones, or the white ones under the dim moonlight insofar as their colors were concerned, could nonetheless be smelled by whiffs of their fragrance. There were a few white clouds in the sky, floating toward the remote horizon by the evening breeze.

Rong Yiren's thoughts, too, were floating along with the white clouds--floating toward Europe, floating toward America, floating toward Japan and Southeast Asia, floating toward many places around the world. As managing director of the International Investment and Trust Corporation of China, he was considering:

How to propagate abroad our country's economic policy toward foreign countries;

How to make foreign capital, equipment and technology serve our fatherland's Four Modernizations;

How to run this corporation in such a way as to turn it into an organization which develops rapidly and achieves a high degree of efficiency in its work;

How to enable the brethren and relatives living abroad to make contributions toward the realization of China's Four Modernizations.

This member of the largest national bourgeois family, the Rongs, now no longer represents the Rong family, but is appearing on the international economic stage as the responsible person of an important organization of socialism. He will negotiate with friends who are glad to help our country in its development forward and who have maintained regular contacts and relations with us, and also sign agreements with them. His work is not his individual activity but closely connected to the cause of our fatherland's socialist modernization.

Historical experience has far more than once told us: it is not very easy to know a given society; but it is even harder to achieve understanding about a society poised in opposition to the interest of one's own class and thereafter willingly serves that same society. What kind of path has Rong Yiren, who was originally a representative personality of China's national bourgeoisie, traversed in the process of his advancing from knowing socialism finally toward being able to serve socialism?

It was with this question, which people have long been concerned about, in my own mind that I visited him for an interview.

# I

The International Investment and Trust Corporation of China was temporarily established at the Peace Hotel. When we arrived there, we saw that he was assigning some work to a number of employees in the corridor.

This person, who 30 years ago was called a "young guard" among the big capitalists by Premier Zhou Enlai, looked today still full of vigor. He was wearing a long-sleeved shirt with buttons on the collar as well as on the sleeves well in place. But his hair was already greying, and his forehead now had several rather deep wrinkles. In our time, when a person has greying hair and has wrinkles on his forehead, it not only suggests that many years have gone by but is often also a stamp of his having undergone a long period of violent storms and grinding experience, recording as it does that person's advancing steps forward.

Sitting together with him in the office were several employees; some of them were copying something, and some were proof-reading some foreign-language documents. After his brief introduction, we learned for the first time that this corporation employed only some 20 persons at present, and these people must each do the work of several persons. He said: "Ours is a working corporation. It will do only if people of such a corporation all do their work with no effort spared."

"How many people are you going to have?" we asked. He stretched out five fingers. We thought, a corporation of 500 people would be big enough, indeed. But he said: "50."

In order to understand the path he has traversed, we began our conversation from the early days of liberation.

On the eve of the nation's imminent liberation, people of the Rong family, who had never had any contact with Communists, innately acted on the basis of their class instincts. Having received reactionary propaganda and harboring, in addition, thoughts of doubt and fear toward the Communists, some of these people, therefore, went abroad and some went to Hong Kong. Rong Yiren's wife Yang Jianqing also rented a house in Hong Kong in preparation for when "situation becomes tense," to let her husband settle down in Hong Kong. But, upon the fatherland's liberation, he did not leave and, instead, remained together with his father Rong Desheng.

"Why were you stopped from leaving at all?" we asked.

"It was my fatherland," he said.

"But you were a capitalist!" we asked again.

"Yes, I was a capitalist. But, first of all, I am a Chinese," he replied.

Hedged between love for the fatherland and lingering possessiveness over the family fortune, a web of intense emotions prevented him from leaving the soil of the fatherland. These emotions have been nurtured by factors of history. In 1900, China's national bourgeoisie had some development. At this very juncture, his forefathers began to establish and develop their own enterprises. After the conclusion of World War II, China did not enjoy any tranquillity; the imperialists returned with added strength. At this time Rong Yiren wanted to reinvigorate his enterprises in the hope at the same time of seeing our fatherland prosper and gather strength. But urban industries closed down one after another, and the countryside went bankrupt. On the heel of all this, there followed years of civil strife; the fatherland fell prostrate with multiple wounds and injuries; the national bourgeoisie was subject to the same oppression and abuse by imperialism and bureaucratic capitalism. In many respects, the fate of the national bourgeoisie was closely tied with the destiny of the fatherland.

Who was to lead our country and turn it into a land of prosperity and vitality? The Kuomintang would no longer do, but could the Communist Party shoulder the responsibility? To him, this was still a puzzling question.

But, what did Rong Yiren see the day after liberation in the streets of Shanghai? He saw soldiers of the Liberation Army sleeping in the streets without entering the households of the civilians; he saw the attitude of warmth the soldiers of the Liberation Army held toward him. This history of 30 years ago was still very fresh as he talked about it. Said he: "All this came as a consternation to me."

What shocked him even more was that, soon after the liberation of Shanghai, Commanding Officer Zhen Yi of the 3rd Field Army of the People's Liberation Army came to his very door for a visit. He saw General Zhen in the midst of a life of active combat, wearing a civilian robe that day and exuding



a debonair outlook while sitting down to carry on a conversation over their daily lives, over the party's policies. In his thick Sichuan dialect, he told him: "You need not be afraid of the Communists; we are to make friends with each other yet."

At this moment, he hardly knew whether his were feelings of suspicion, surprise, or happiness: The Communists were just like that!

But what he cared about most was still the future and fate of the enterprises belonging to his Shenxin system: Current capital had already dried up; at the beginning of liberation it was also subject to the blockade and the bombing; was it still possible for him to carry on his enterprises? Just as he was immersed in the midst of such worries and doubts, the people's government helped him to set up a control center for the separately managed factories under the Shanxin system with him appointed as managing director. Under the support of the people's government policies concerning loans, processing operations and ordering of products, his enterprises, through the rudimentary form of state capitalism, were altogether revived and reinvigorated and completely ridded of that situation of hardship and harassment on the eve of liberation and in the early period after the liberation. He saw the great land reform movement propelling the development of production forward; the heroic Resist-America and Aid-Korea Campaign broke certain people's fear of America; the Chinese people, heretofore looked down upon by foreign countries, fought a war and won it under the leadership of the Communist Party.

What a great inspiration all this was to this patriotic capitalist! The Chinese Communist Party is the core of leadership for the Chinese people, this objective fact could not but be admitted by now. He felt that he should uphold the Communist Party's leadership. But the innate nature of a bourgeois made him feel that he could only raise one hand to do so, he was still waiting to see....

## II

The dust of war settled. Our country began to enter into the period of national economic recovery. But, the innate disposition of the capitalist class to make profit at the expense of everything else and to speculate in order to gain advantage for the same purpose did not disappear because of the fading of the salvos of war. Some lawless capitalists still carried on their speculation and their plotting. This not only seriously eroded the national economy but even prevented upright private industries and commercial enterprises from achieving smooth development forward. How to protect the development and growth of state-managed economy and, under the guidance of this state-managed economy, how to enable the private industries and commercial enterprises that were beneficial to national planning and people's livelihood to gain reasonable development thus became questions which the party and the government considered and eagerly sought to solve.

What methods were to be adopted for the solutions required? In agriculture and other systems, the party proposed the policy of planned purchase and marketing by the state in order to deal a necessary blow to speculation and treachery and to limit the blind development of capitalism. On the basis of the prevailing situation in the cotton textile industry, Rong Yiren considered the interest of the enterprises of his Shenxin system and likewise proposed that the policy of planned purchase and marketing by the state should also be carried out in that industry at this point. His proposal was adopted by the People's Government, and the policy of planned purchase and marketing by the state in the textile industry was put into effect.

During the "Five Anti" movement, the masses of the workers exposed the mistakes of his capitalist mode of running his enterprises and made him see clearly the innate class character in him which was intrinsically capitalistic and immersed in the profit-making motives. When he opened the confessions he had written even today, while the pages were already turning yellow, he could still hear the voice from the depth of his heart which he had then uttered: "The 'Five Anti' movement gave me a profound education. From this movement, I began to see the dirt on people of the capitalist class like us. It made me realize that to develop capitalism in China is a path of no future; it is definitely necessary to accept the leadership of the working class. But, I am troubled. What is really going to be the path for the industrial and commercial entrepreneurs? What is to be our own future?" He began to feel that the profit-making motivation of the capitalist class did not jibe well with socialism; capitalism had reached the end of the road in China.

For a person not disposed to become stagnant, it is bound to be his habit to continue to explore new paths. But where could such new paths be? As he was just seeking them, the party proposed the policy of peaceful transformation in respect to all capitalist industries and commercial enterprises so that, along with the policy of planned purchase and marketing by the state and through the rudimentary form of state capitalism, they could be gradually turned into state-managed enterprises. Under the inspiration of the party's new policy, plus the fact that the state-managed economy had gradually become developed and thriving, he was made to feel that it was the large trend of the time that private enterprises must be guided into the course of state-management. This helped him to make up his mind and, as representative of the Rong family, he turned the enterprises of the Shenxin system completely into public-private jointly managed enterprises in August 1955.

The factories of the Shenxin system had been enterprises run by the Rong family for decades. Would they achieve further development after they were turned into public-private jointly managed enterprises? This was not only something with which Rong Yiren himself was keenly concerned, but something with which other members of the Rong family residing in Hong Kong and overseas had also become concerned. But, in the midst of such concerns, he saw this fact: after the two flour factories of Fuxin and

Fuxin were merged together, a yearly savings of 300,000 yuan of management cost was achieved; after it was turned into a jointly managed enterprise, the cost of cotton yarn manufacturing at Shenxin Factory No 9 decreased by 15 percent, and the rate of discard and degradation in the case of its finished cotton clothes, too, decreased from 20 percent to just about 2 percent. This strongly business-minded man, seeing what was happening to his now jointly managed enterprises, felt greatly consoled. In practical life, he gradually recognized that socialism was superior to capitalism.

It was in October that year, when the Executive Council of the All-China Association of Industrial and Commercial Enterprises held its meeting, that Chairman Mao personally convened a forum of discussion. At this forum, Chairman Mao told the story of the heroine Xiao Guiying in the Peking opera "The Fisherman's Revenge". When Xiao Guiying was about to go and "kill the (enemy's) family," i.e., to join the "revolution," she still did not forget to close her doors because she was afraid that somebody was going to steal her pots and pans. The reason Chairman Mao told this story was to let people of the industrial and commercial circles cast their glance a little bit farther, so that they would not be afraid of socialism and, instead, they ought to recognize the law of social development, master their own destiny, and make up their minds without any more hesitation and wavering. He was, above all, pointing out to them their very own future: it was definitely possible for them to join the ranks of the working class. Under the inspiration of Chairman Mao, he looked back at the Rong family's own history: in the old China subject to all kinds of storms, when did national capitalists ever master their own destiny? Now they had a chance to become the masters of their own fate. This made him feel mighty proud. At the conclusion of this meeting he, upon his return to Shanghai, immediately invested part of the profits earned by his enterprises in expanded reproduction in support of socialist construction.

### III

After a period of excitement, there often follow in people's minds moments of deep thinking. Such deep thinking can make people see their problems in greater depth and to a greater distance. In the midst of such deep thinking, what Rong Yiren thought of was whether in a socialist society, it was going to be possible for a capitalist to master his destiny, and how he himself was going to master his own destiny. His own answer was; he must firmly renounce the path of the exploiter in trying to cause "wealth to oneself, woe to everybody else." When he realized at this juncture how his own past life of superior comfort was still based on the sufferings of tens of thousands of workers, he felt deeply uncomfortable. At the high tide of socialist reform in 1956, what Rong Yiren went through was a baptism, because it was then, and only then, that he recognized how the "Five Anti" struggles paved the way for the peaceful transformation and how, on the road of socialist reform, capitalism had already lost its positive meaning.



When a society is developed to the point where exploitation disappears and the capitalist system is eliminated, what, insofar as a capitalist is concerned, has he lost? And what has he gained? To questions like these, Rong Yiren provided his frank answers: "What is lost is some gain derived from exploitation which belongs to me individually, and what is gained, on the other hand, is a prosperous and powerful socialist state where everybody is well-to-do. To me, what is lost is the mutual deception and mutual distrust between men of the exploitative class, and what is gained is the mutual love and trust between men of the laboring people which cannot be bought by money." From then on, he made up his mind to transform himself into a person living on his own labor, into a real comrade.

To Rong Yiren, this was a lofty ideal. To have this ideal realized is precisely the mastery of one's own destiny. "This was his ideal, and also my ideal," his wife Yang Jianqing stated one morning, in the sitting room of her house, when she discussed this stage in his soul-searching experience.

Now, let us see the several waves and ripples he has encountered in his thinking from the very remarks of Yang Jianqing:

In the newspapers, when he saw articles criticizing the bad tendencies of the industrial and commercial circles, he felt rather unhappy, complaining that people were being too critical toward the industrial and commercial circles. On the other hand, when he heard people discussing workers' shortcomings, his feelings were altogether different. Although this type of reaction was more or less subdued, he had to ask himself: why did he have such different feelings?

After socialist transformation, with his enterprises turned over to the state, he felt that the small tail of being "single-mindedly immersed in profit-making motives" could no longer be attached to him. But, when he heard that some in the industrial and commercial circles held the opinion that the capitalist class brought an expensive gift while entering the state of socialism but the workers did so empty-handed with no contribution whatsoever to socialism, he immediately warned himself and asked self-reflectively: is this kind of thinking correct? As a capitalist, whence did he gather his fortune, and where did his money come from? Was it not based on the exploitation of the workers, from the exploitation of the laboring people, and could it be anything but right for him now to return such things to the people themselves?

As we reached this point in our conversation, a young girl ran into the sitting room to ask Yang Jianqing to receive a telephone call. Said Yang Jianqing: "She is my niece, just coming back from West Germany. She does not like to stay at the hotel but she loves to stay at our home so that she can ask me to cook Wuxi dishes for her. I do this kind of entertaining at home every day."

In the sitting room, we looked at some fragments of written material. They appeared to be trivial things, but in reality they were the little



ripples he aroused along the road of his self-transformation. He was unwilling to let such ripples subside, but would rather use them to create an impact on the bourgeois, negative side of his personality and thereby to stimulate the positive factors in that same personality. Precisely because he was able to grasp one ripple after another of this sort, he was therefore eventually able to write perceptive passages like the following: "Members of the national bourgeoisie must be transformed into members of the working class; what is needed is not the working class nudging close to us, but members of the national bourgeoisie changing their own thinking and feelings into the thinking and feelings of the working class. In this process of change, there can be no feelings of confrontation. Confrontation will only hamper one's own transformation and one's service to socialism." In summing up his experience during this stage of his transformation, he had this to say: "Is making a metamorphic change of oneself painful? It is of course painful to a certain extent. Is it pleasant? It is of course pleasant to a certain extent. I was precisely effecting my transformation between such pain and such pleasure. Did I tend to linger in nostalgia? Of course I did. Could I abandon the past? Of course I could. Today, I am willing to serve socialism."

When Yang Jianqing returned from her telephone conversation, she told us further: At this juncture, he began to also think of a question like this; if one wishes to love one's great fatherland with all his heart, will it do if he does not love socialism? To serve the fatherland made it necessary for him to serve socialism. Because the future of the fatherland is consistent with the future of socialism; only socialism can save China.

#### IV

To sing the praise of socialism is to love socialism dearly; is it not, though, also indicative of such fervent love if one chooses to expose the defects and mistakes that are exhibited in the process of the building of socialism, and to help overcome them at the same time? In January 1957, Rong Yiren was elected deputy mayor at the 2nd People's Congress of Shanghai. During the party's rectification movement he, along with many other people like him, made certain proposals to the party with great enthusiasm: Why were cadres of the party no longer as humble and simplistic as well as accessible as they were in the early days of the liberation? Why was it that many cadres liked only to listen to compliments but not to differing opinions? In respect to people of the capitalist class, why was it that they could at most show some courtesy but never bring themselves to effect some exchange in their thoughts and feelings? He suggested that both party members and non-party people must achieve mutual conformity in their thinking and feelings in respect to the cause of socialism. Looking at them today, these questions he raised at that time all did exist then, and his suggestions were also genuine and reasonable.

Along with the correct suggestions he made at the time, however, he also proposed that, if the party was to lead the industrial and commercial circles, it must do so through his own suggestions, thinking that, this way, he could conveniently consolidate his own position in the industrial and commercial circles. Said he: "The industrial and commercial circles must

listen to me and do things according to my ideas and plans." It was meant that, by virtue of his leading position in the industrial and commercial circles, he could well "sit as an equal" to the party. In May that year, accordingly, he took advantage of the incident in which personnel on the public side stabbed certain personnel on the private side because of certain problems left over from past wrangling between labor and capital, to convene on this occasion a meeting of personnel on the private side to discuss methods of dealing with the Communists. He also demanded, as representative of the "legitimate" interests of the industrial and commercial circles, a "separation of powers" from the working class.

The initiation of the anti-rightist struggle startled his wife Yang Jianqing. A feeling of worry and fear began to surge forth in her heart. She complained to her husband that he should not have said things like that. She felt that 8 years had already elapsed since liberation, and she had participated in all kinds of political activities before she was liberated from a life of the young, pampered daughter-in-law of a wealthy family. She did not need to lead an empty life marked by playing majong all the time, nor did she need a new car from her husband. She had hoped to lead a stable, peaceful life. Such opinions of her husband's broke the calm of her own state of mind.

She demanded to know from her husband: "As I see it, can you still master your own destiny after you have become a rightist?" Immediately thereafter, she let out a sigh and added: "If I had only known a day like this, it would have been far better if I left here."

"If there is any mistake, I am perfectly willing to acknowledge it. But even after I have become a rightist, it by no means suggests that I am willing to leave here." He still harbored lingering affection for his fatherland.

The policy of trying to "sit as an equal" to the party was obviously a mistake. At that time, comrades had already criticized and helped him. He admitted his mistake and also examined himself. He said: "I was wrong when I raised only one hand to uphold the Communist Party. Now I want to raise both of my hands to uphold the Communist Party."

History has proved that the anti-rightist struggle was unduly extended, and many, many good comrades who dared to insist on truth became thus erroneously designated as rightists. Toward this zig-zag of history, our party did not evade its responsibility. All those comrades who had been erroneously designated as rightists are now granted corrections and their reputation has been restored. They have now begun anew a life commensurate with revolutionaries. When mentioning this period of history now, Rong Yiren said: "The price paid during this struggle was very high, indeed. But this price, insofar as I myself was concerned, also had its positive meaning, because it made me recognize the damage the negative side of the national bourgeoisie could do and it made me re-set the relationship between the individual and the party upright, whereupon my determination to follow the socialist path was reinforced and I was enabled to become a man to really master my own destiny."

The changes back and forth in one's thinking often bring greater progress to him. Rong Yiren was precisely such a person. Every time he went through a change back and forth in his thinking, he took a stride forward. This is the inevitable law by which people recognize objective things. When he discussed these things with us, he still observed with great feeling: "I would not have been a capitalist if I did not experience changes back and forth in my thinking in respect to the understanding of socialism. I am very grateful to the party, because it gave me permission to change back and forth and encouraged me to make progress each time."

Although he went through the zig-zag of the anti-rightist struggle and learned its lessons, Rong Yiren did not become fearful or deterred from advancing further. He made a point to reinforce his sense of responsibility and continued to make proposals to the party and to divulge his thinking. Under such circumstances, some in the industrial and commercial circles began to say that he was "showing off his talents." But he himself did not think that way. Rong Yiren said: "A capitalist like myself--the people have given me a good name and a position, they have guaranteed a life of superior material comfort to me, it would have been perfectly fine for me to pass my days peacefully and eventlessly, so why should I go around showing off my talents?" He did not think this would be right. He said: "The party and the people have given me some power and authority which no money can buy as a mark of their trust. I must dare to shoulder my responsibility." At his post as deputy mayor of Shanghai and as vice minister of textile industry, he was responsible for the management of production. He made his suggestions concerning how reforms should be conducted in the textile industry of Shanghai and of the whole country and how productivity should be promoted. He also adopted certain practical measures during the 3 years of natural calamities when cotton production decreased and when factory production encountered difficulties. He likewise traveled to various parts of the country regularly, went deep down to the factory level to understand local conditions, solve problems encountered in the production process, support the workers in their attempt to achieve technical renovation, and improve management and control. He made his due contributions to the development of our country's textile industry.

## V

Another afternoon. It was again in the sitting room of his household that we carried on our conversation. What we talked about this time was the Great Proletarian Cultural Revolution.

Once the Great Proletarian Cultural Revolution got started, a fashionable theory manufactured by Lin Biao and the "gang of four" immediately began to emerge. This theory was that, in our socialist society then, the bourgeoisie had become more and more fanatic, its desire for capitalist restoration had become more and more intense, and class struggle, as a result, had become more and more fierce.



In the days when Lin Biao and the "gang of four" promoted their extreme left line and when extreme left thinking dominated everything, a large number of old cadres who had gone through all tests of the revolution were brought down as "representatives of the bourgeoisie within the party." As bourgeois personality No 1, Rong Yiren naturally found himself standing right in the head wind. The hardship for being a "capitalist roader," he tasted, indeed, and experienced the attendant sufferings. He was even said to be the "total foundation" for the capitalist roaders attempted restoration of capitalism. When the two of them, husband and wife, were trampled on to the point of having even their very lives endangered, Premier Zhou came to know their conditions and immediately asked certain concerned units to protect their safety and health.

Although Premier Zhou's care brought them warmth and strength, Yang Jianqing still thought: liberation came, they did not despair; public-private joint management of their enterprises came, they did not despair; anti-rightist struggle came, they did not despair; but when Cultural Revolution came, she felt desperate. With tears flowing down from her eyes, she whimpered: "The Communist Party has kicked us apart. What future is there for us?"

"We have followed the party for so many years; the party will not abandon us." Rong Yiren simply uttered this sentence, and then he sank into deep thinking again.

Under the heavy pressure of political storms and of public opinion, an illusion often is created in people's minds; that is, they no longer believe in themselves. Clearly they had been right, yet somehow, they were turned around, thinking that they had been wrong. Rong Yiren at that time found himself precisely in such a state. He asked himself: after transformation in the wake of liberation, could it be that the bourgeoisie was still thinking of restoring capitalism? Was it really true that this class had become more and more fanatic? Had contradictions between the bourgeoisie and the working class become sharper and sharper, and their struggles against each other more and more fierce? He felt that this could not have been the case; the overwhelming majority of the capitalist class was not like this. After such repeated and many-sided considerations, his head became much clearer, and it was his considered opinion that this theory was not a Marxist theory. When he pondered up to this point, he consoled Yang Jianqing. "We will still have a future."

Even though saying this, his heart was heavy. He was afraid that if matters were handled in accordance with a theory of this sort for long, if the class struggle of this type was carried on for long, what would become of our country? Even though he was a member of the national bourgeoisie, he had changed over from the midst of a poor, old China; he was concerned about China's poverty. Once the country became impoverished, it was bound to be subject to abuse by foreign countries. By that time, one would hardly know where the country's destiny might be headed, how was one to know how to master one's own destiny?



On the day of the 100th anniversary of the birth of Dr Sun Yat-sen, Comrade Deng Yingchao brought along Premier Zhou's admonition to him: "You must be able to stand the test."

Premier Zhou's care enabled him to see new hope. He calmed himself down, and he carried on. In that chilly winter, he put on a thick quilted coat made of coarse cloth and a pair of similarly thick gloves to sweep the streets, to carry baskets of coal with a shoulderpole, to clean up toilet rooms. When he returned to his house, he said to Yang Jianqing: "There will be a turn for the better for our country; there will also be a turn for the better for our future."

At the First Session of the 4th National People's Congress, when he heard Premier Zhou mention the need to carry out the Four Modernizations in his Report on the Work of the Government, he became so excited that for days he could not sleep well. He saw the future, and the hope, for our country.

The crimes of Lin Biao and the "gang of four" became the curse of the Chinese people. After the smashing of the "gang of four," people were able to see even more clearly that the Chinese Communist Party, after faring through this catastrophe, did not collapse; our country, after this catastrophe, did not become divided; the people, after suffering this catastrophe, remained fired with ambitions; and the socialist system, in the wake of this catastrophe, still stood erect.

All this filled Rong Yiren with confidence. He loved our country, our people, our socialism, and our Communist Party even more.

In June 1979, at the Second Session of the 5th National People's Congress and the Second Session of the 5th National Committee of the Chinese People's Political Consultative Conference, he heard this historic summary: the means of production originally possessed by the capitalist class of our country had long been turned over to the state; payment of fixed interests to them had likewise been terminated for already 13 years. The overwhelming majority among them who are still capable of physical labor have already been transformed into laborers in the socialist society living on their own labor. The capitalist class, as a class, likewise no longer existed. His emotions became agitated. This was his desire for years, and it finally became a reality today.

After drastic excitement, one often falls into silence. At this point, we began to notice for the first time that many scrolls and paintings by well known artists were hung in his sitting room, and at one side of a large scenery painting was penned a stanza from a poem by Comrade Ye Jianying: "An Exceptionally Bright Sunset Against an Eyeful of Exceptionally Green Mountains." Our conversation was once more turned to his present work. After a moment of reflection, he said to us: "I would like to bring about some new experience for the realization of our Four Modernizations." Thereafter, he further stated his three wishes: first for the fatherland to become prosperous and powerful; second for the people to all become well-to-do; and third for Taiwan to return to the bosom of the fatherland so that the cause of the country's unification can be achieved.

## FOREIGN TRADE

### GUANGZHOU PARTY COMMITTEE CRITICIZES TAKING BRIBES

Hong Kong WEN WEI PO in Chinese 25 Sep 79 p 1

[Article: "Guangzhou Municipal Party Committee Takes Lead in Rectifying Devious Wind by Criticizing Behavior in Asking for 'Contributions' from Foreign Merchants--Yang Shangkun Points Finger at Specific Persons Judiciously Without Accommodating the Question of Face; the Masses React with Enthusiasm"]

[Text] In its economic readjustment work, the Guangzhou Municipal Party Committee has embarked as a matter of convenience upon the rectification of party personnel's work style, placing emphasis on the leadership organs and starting first of all with the Standing Committee of the Municipal Committee itself, thus taking the lead in rectifying a devious wind and proceeding resolutely to restore the party's fine traditions and work style. This action on the part of the Municipal Party Committee has aroused enthusiastic reaction among the vast ranks of the cadres and masses.

Because of the long period of interference and sabotage by Lin Biao and the "gang of four," there existed in certain organs and amidst certain cadres in Guangzhou Municipality the question of a devious party work style. Many of the masses have proffered sharp criticisms on this question through various forums. Not very long ago, the Guangzhou Municipal Committee convened an enlarged Standing Committee meeting.

On the basis of the question on party work style as exposed during the meeting, Yang Shangkun seized certain problems concerning the leadership organs, especially concerning the Municipal Committee itself and, after serious investigation and study, judiciously publicized them before the gathered participants without accommodating anyone's face. For example, some cadres were known to have ignored political consequences by asking for "contributions" from capitalists, thus seeking to secure bribes deviously, creating a malicious influence as a result. When criticizing this erroneous behavior, Yang Shangkun especially specifically pointed out at the meeting the persons in charge of foreign affairs work who had violated the party's discipline, privately accepted gifts, and sought to play up to the capitalists, and also the facts concerning these persons, and thereby carried out his solemn criticism. He said, in the face of problems

like these, if a high degree of vigilance is not aroused, they are bound to drag some of the cadres down and into the mud, where they might even rot away. Yang Shangkun thereupon called on all to seriously prosecute and expose such affairs, and he also designated the Discipline Inspection Department to prosecute accordingly. Insofar as problems involving leading cadres of the Municipal Committee itself are concerned, whosoever might be and whatsoever might be, including the "gifts" and high-class consumer goods that had been demanded from the foreign businessmen in the past, must all be listed in a pertinent inventory and turned over to the Standing Committee of the Municipal Committee for discussion and disposal. Certain rules must be drafted to allow the Municipal Committee itself to take the lead in carrying them out.

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## FOREIGN TRADE

### TOURISM CONFERENCE READJUSTS TOURIST FEES

Hong Kong WEN WEI PO in Chinese 22 Sep 79 p 2

[Article despatched from Shihjiazhuang by China News Agency: "National Tourism Conference Decides to Readjust Standards for Collecting Tourist Fees—Original One-Day Charge of 40 Yuan Readjusted to 60 Yuan"]

[Excerpt] In order to vigorously develop our country's tourist enterprises, the National Tourist Work Conference has decided on a new adjustment and regulatory scheme concerning foreign-related prices and fee-collecting standards after some overall study.

The contents of this readjustment and the new scheme are: The Criteria for Comprehensive Service Charges for Self-Paying Foreign Tourists formulated in 1973 prescribed that, in the case of groups of 10 or more, the charge for each person each day was 40 yuan (The editor: in RMB). During these past years, this criterion has never been changed. Today, on the basis of changes in the international and domestic situations, this criterion is evidently too low and no longer suitable under the new circumstances. It was therefore deemed necessary to make the adjustment, by changing the original 40 yuan to 65 yuan.

The new scheme is divided altogether into nine classes: Apart from the groups of 10 or more wherein each person is charged 65 yuan each day, groups of two to nine that use the comprehensive service now would have each person pay the amount of 90 yuan each day; persons traveling alone pay 130 yuan. Concerning receptions for persons on public business in cases such as travel negotiations and the building of hotels, as well as for those on tour by way of global excursion vessels and Japanese excursion vessels, there were formulated different criteria for charging them respectively. Some charges no longer include costs for cultural and recreational activities and hard and soft drinks. Hotel guests' meals may now only include breakfast, letting them handle their lunch and dinner by themselves. The charges for those who happen to have occupied hotel rooms in excess of the standard according to which they were made must now be increased, whereas charges for those who happen to have been given hotel rooms below the standard



according to which they were made must now be reduced and refunded accordingly. Fees for special categories of services are now going to be increased. These prescriptions are to become effective on January 1, 1980.

The conference considered also that situations are different concerning overseas Chinese, brethren from Hong Kong and Macao, brethren from Taiwan on the one hand, and foreign businessmen and foreign tourists on the other; it was thus also decided that the criteria for collecting fees from them should likewise be treated differently. When preferential treatment is given the former, fees collected from them may be slightly higher than those paid by domestic customers and slightly lower than those paid by traveling foreign guests.

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## FOREIGN TRADE

### GREAT INCREASES IN GUANGDONG'S FOREIGN TRADE

Hong Kong TA-KUNG-PAO in Chinese 14 Sep 79 p 3

[Article: "Exporting 20,000 Items in Over 700 Categories, Guangdong's Products Enter the World Market: Oil Supplies to Hong Kong Amount to 700,000 Tons This Year; After New Economic System Comes into Effect Next Year, the Province Is Further to Develop Its Foreign Trade Independently"]

[Text] Guangdong Province has achieved significant results in its foreign trade. During 1978, total value of exports of the province increased more than 10 times over that of 1951. Trade relations were maintained with more than 130 countries and areas. Composition of export commodities changed from more than 90 percent agricultural and primary products to one with more than 60 percent industrial products. Imported products consisted overwhelmingly of means of production.

In foreign trade operations, Guangdong Province has established 11 import and export companies: foodgrain and oil, foodstuffs, indigenous products, tea, animal products, light industrial products, ceramic art wares, textiles, machine equipment, metals and minerals, and chemical engineering machinery. It has likewise established a foreign trade transportation company and an export commodities packing company. There are now all sorts of export commodities, ranging, in terms of small items, from flowers, birds, insects, and fish to articles for daily use, to instruments for manual labor and, in terms of big items, to seafaring vessels and whole paper-making and sugar-manufacturing systems marked by advanced levels of sophistication, plus precision instruments. These altogether number more than 20,000 items in over 700 categories.

Guangdong Province's traditional handicrafts have long enjoyed an exalted reputation in the international market. Exports like Guangdong-made ornaments, Guangdong-produced embroideries, redwood furniture, Swatow cotton yarn, straw articles, ceramic art wares from Shiwán and Fengxi and others usually derive some 500 million yuan yearly. Along with the development of new industrial enterprises and expansion in their numbers, Guangdong's petroleum products and electronic products have also entered the world market. The finished petroleum products supplied to Hong Kong this year will, according to estimate, exceed 700,000 tons.

Along with the entry of China's national economy into the period of modernization, Guangdong Province's foreign trade has also entered into a new stage of development. The total value of foreign trade of the province in 1978 scored a 28 percent increase over that of 1976; that in the first 7 months this year likewise increased by 26.6 percent compared to the corresponding period of last year. From the next year on, Guangdong is going to put into effect a new economic management system; it is also to enjoy greater autonomy in its independent development of foreign trade. Today, the province is engaged in a vigorous development of the production of its export commodities so as to expand the volume of its exports. At the same time, it is also actively seeking to adopt customary practices in international trade and, on the basis of "The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment," accept direct investments and joint ventures from Hong Kong and Macao and foreign countries. Apart from this, foreign trade departments and units of Guangdong will also cooperate extensively with foreign industrial and commercial circles in some other realms.

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## FOREIGN TRADE

### SHANGHAI FOREIGN TRADE SYSTEM INCREASING PRODUCTION

Shanghai WEN HUI BAO in Chinese 15 Aug 79 p 1

[Article: "Shanghai's Foreign Trade System Plunges into Work in Developing the Increase-Production and Practice-Frugality Campaign So as to Expand Exports, Create More Output for Securing Foreign Exchange, and Support the Four Modernizations"]

[Text] The Shanghai foreign trade system has been seriously engaged in the thorough implementation of the spirit of the Third Plenary Session of the 11th Party Central Committee and the development of the increase-production and practice-frugality campaign which is centered on the expansion of exports and which partakes in the tasks of exporting more, creating more output for securing foreign exchange, elevating quality of work, improving the efficiency of work, as well as amplifying economic results. From January up to July this year, our municipality's purchase of merchandise for export has completed 73.66 percent of the planned amount for the whole year; this represents a 32.74 percent increase compared to that of the corresponding period last year. The city's intake of merchandise for export has also completed 72.85 percent of the amount planned for the whole year, which represents a 13.48 percent increase compared to the corresponding period last year. The city's exports have completed 70.47 percent of the amount planned for the whole year, and this represents a 27 percent increase compared to the corresponding period last year.

The Third Plenary Session of the 11th Party Central Committee proposed that there must be a demand for great expansion in respect to our foreign trade; this boosted the morale of the employees and workers of Shanghai's foreign trade system and served to further emancipate their thinking. Whereupon they daringly followed the approaches to which international market is accustomed by adopting extremely flexible forms of trade and actively developing its businesses such as accepting materials from foreign merchants for processing, accepting their parts for assembling work, and effecting compensatory trade. Shanghai's industrial production has enjoyed a better foundation over the years; its textiles, garments, and light industrial products have also enjoyed a good reputation abroad and are



warmly welcomed by buyers and consumers of the various foreign countries. But certain products often cannot satisfy demands. In order to expand their exports, the vast ranks of the employees and workers of the foreign trade departments and units, in cooperation with those of the productive departments and units, therefore proceeded to adopt all materials or principal raw materials supplied by foreign customers and thereby process them, assemble them, and turn the finished goods over to them in response to the fashions and patterns demanded by them. Alternately, foreign customers were asked to supply all the necessary equipment of at least part of such equipment, which would be paid for with the resultant products or processing fees after such equipment was put into productive operation; this made up what had been deficient in existing capabilities of production. The knitted underwear with the moon as its trade mark produced in Shanghai has always won high praise from foreign customers because of its fine craftsmanship, its fashion, and its comfort. But, on account of the limitations in equipment to which it is still subjected, it remains for a long time to come rather difficult for any large-volume expansion of its supplies. Through negotiations conducted by them with a foreign customer, the Shanghai foreign trade departments and units have now agreed to let that customer supply the equipment and technology needed, while our side would proceed to produce the products demanded by that same customer. As a result, it is now possible for the departments and units to increase their supplies by 600,000 sets of such underwear. Silk fabrics have likewise been fast-selling products in the international market. The Shanghai Silk Products Import and Export Company has thus now contacted certain Japanese companies to arrange compensatory trade. At present, it has already imported a batch of broad-gauge weaving machines, high-frame patterned weaving machines, and the like which, after they are put into operation, will surely produce a fairly large increase in its silk products exports.

Since the beginning of this year, Shanghai's foreign trade departments and units, under the vigorous support of the productive departments and units, have also started to actively develop new products and new varieties for export on the basis of demands in the international market so as to carry out upgrading and relevant replacement of commodities and thereby gradually change the structure of their export commodities. After the Third Plenary Session of the 11th Party Central Committee, they have already developed nearly 100 new products and new varieties, which, upon exportation, have become warmly welcomed by customers. Relevant business personnel of the branch company of the Shanghai Light Industrial Products Import and Export Company has likewise gone down to the factories where ceramic ware is produced in order to work with the working comrades there and, together, study and produce fast-selling ware suited to the international market such as ceramic plates, ceramic salad bowls, long-handled sauce pans, long-handled seven-in-a-set cooking pans, etc. Because these new products are high in quality, ingenious in design, and harmonious in the combination of their colors and patterns, merchants from more than 10 countries such as Britain, Norway, Australia and others have all put in orders.

## FOREIGN TRADE

### PRODUCTION OF EXPORT PRODUCTS SOUGHT

#### Weaving Industrial Company

Shanghai WEN HUI BAO in Chinese 5 Aug 79 p 1

[Article by Shen Daoming [3088 6670 2494]: "Endeavor to Create More (Output for Securing) Foreign Exchange, Support the Four Modernizations--The First Weaving Industrial Company Enthusiastically Manages to Get Popular Products for Export Rolling"]

[Text] The First Weaving Industrial Company in our city has resorted to various means and ways in exploring its potential, adopted the policy of "First, change; second, implement; and third, help get rolling," so as to expand the production of urgently needed products for export, and thus achieved conspicuous results.

"First, change; second, implement; and third, help get rolling" means that, in the first place, the company sought to change products for which sales outlets have not been very broad and of which there has been a surplus into products urgently needed in the market; in the second place, it chose to send certain products whose technical requirements are relatively simple down to the factories of suburban communes and brigades for their production there; and, in the third place, it devised various ways and means to help get popular products for export rolling.

Factories belonging to the First Weaving Industrial Company mainly produce two kinds of products, colored fabrics and handkerchiefs. The role of colored fabrics in the export business has become heavier and heavier. And among the colored fabrics, "dacron" and the medium and long tweed varieties are especially welcome in foreign markets. But the sales outlets for the handkerchiefs are by no means broad enough, and there has been a surplus in production. In order to give full play to the role of the existing weaving machines, the party committee of the company actively proceeded to carry out readjustment and thereby timely turned the 180 weaving machines used for the production of handkerchiefs into the production of colored fabrics. The company also sent certain colored fabrics whose technical

requirements are relatively simple down to the industries at the suburban communes and brigades for their production there, thus drafting into service an extra 110 weaving machines for the production of colored fabrics as a result.

They also devised various ways and means to help get popular products for export rolling on the basis of international market changes. Because of the development of garment industries abroad, fabrics of greater width are extremely welcome. For this reason, they mobilized the masses so that they would spare more of the machines used to weave fabrics of lesser width for the weaving of fabrics of greater width. For example, at the Second Colored Fabrics Factory the first step, i.e. preliminary product in process became a "small-caliber" product after its decision to produce greater-width final products; thereupon, the factory party committee proceeded to readjust its labor arrangement and raise the rate of utilization of the machines intended for this old first-step product. As a result, the "small-caliber" product was turned into a "lion's mouth" size product, i.e., suitable for the newly intended final output. This made it possible for the factory to help put production of greater-width fabrics smoothly in operation. At present, a sharp fourfold increase in such greater-width products for export has been scored by the whole industry.

After this kind of readjustment, the entire company's export products for the period from January to May this year, compared to the corresponding period of last year, increased by 32 percent, and its total purchase of such export products, by 38 percent. It thus succeeded in making a new contribution in the creation of more output for securing foreign exchange.

#### Food Industrial Company

Shanghai WEN HUI BAO in Chinese 5 Aug 79 p 1

[Article: "Production of Export Products at Food Industrial Company Achieves Three Adaptations"]

[Text] Under the support of foreign trade departments and units, the Shanghai Food Industrial Company has adopted pertinent measures, actively engaged itself in the production of export products, and made great efforts in creating more output for securing foreign exchange for the country. During the first 5 months alone, it has already completed 61.5 percent of the total value of its export plan for the whole year. This represents a 55.2 percent increase compared to the corresponding period of last year.

Every factory of this company has adopted pertinent measures to achieve three adaptations in the production of export products: on the premise of guaranteeing good quality, it has sought to test-produce new products in order to adapt to consumption habits of the various districts; it has seriously sought to improve packing devices and variety of products in order to adapt to the needs of different objects of consumption; it has

adopted policies such as sustaining output by achievable input and processing accepted outside materials and the like in order to adapt to different forms of trade. The Zhong hua cigarettes, the Fu shou seasoning, the Zi yun ying honey, the Plum Forest lunch meat, the Big White Rabbit syrup, etc., produced by the factories of this company enjoy fairly high reputations in the foreign market. They therefore have come up with all kinds of methods in trying to explore their own potential and making a go of producing such products. The Shanghai Cigar Factory, for instance, has overcome difficulties such as lack of sufficient capacities on the part of the tobacco-stem pulling machine and cigar packing-assembling machine it has available and also lack of sufficient labor force for the work intended in the process. This has made it possible for the quantity of export of the Zhong hua cigarettes during the period from January to May this year to score a 50 percent increase compared to that of the corresponding period last year, which served to bring U.S. \$30,000 extra. At the beginning of this year, the Children's Food Products Factory also mobilized the masses to test-produce 22 new products which are welcomed by foreign merchants. In coordination with foreign trade departments and units, the Plum Forest Canned Food Products Factory perceived the conspicuous increase in demand for canned vegetarian food in the international market. They therefore test-produced six new products such as roasted bran with honey, three-delicacy vegetarian's delight including mushrooms, which have come to be greatly welcomed in the international market.

#### Seafaring Transportation Company

Shanghai WEN HUI BAO in Chinese 5 Aug 79 p 1

[Article by Zhou Xueyuan [0719 1331 0765]: "Seafaring Transportation Company Employees and Workers Load More Merchandise, Increase Foreign Exchange Income, in a Calculated Manner Carefully and Practice Frugality in Their Expenditure"]

[Text] The vast ranks of the employees and workers of the Shanghai Seafaring Transportation Company, starting from the reality on the front of seafaring transportation, have tried all approaches in their attempt to help the country to create more output for securing foreign exchange. Compared to the corresponding period last year, the freight carried by its vessels during the period from January to May this year has scored a 25.2 percent increase, and the profits it submitted to the treasury of the state has also increased by 12.6 percent. Its freight for the month of May broke the million-ton mark, thus creating the highest level of efficiency in history.

On the basis of the characteristics of seafaring transportation operations, every seafaring vessel of this company has sought, on the one hand, to raise the utilization rate of its cabins so as to load more, load faster, and increase its profits and, on the other hand, also to practice frugality in spending its foreign exchange. The S. S. Nan-kou, for instance, is used



to transport trucks. During its first voyage, it took only some 150 trucks. Later, the employees and workers mobilized their brains to think up certain necessary methods by which they piled smaller trucks on top of the bigger ones and also placed a third truck atop of two placed side-by-side below. This way, they found it possible to collect more foreign exchange as freight charges which was equivalent to more than 774,000 yuan in RMB. The S. S. San-ming, on the other hand, was used to load cotton. The sailors would arrange the bales of cotton tightly and pile them very high; they were able to load several hundred tons more each voyage as a result, and thereby increase for the state foreign exchange income which was equivalent to more than 200,000 yuan in RMB.

The party committee of the company also paid attention to grasping well their work in repairing what is old and utilizing what would otherwise have been wasted by expanding the categories of discards it accepts and extending its own repair work to more items. During the period from January to May this year, the discards it re-accepted alone were altogether valued at some 70,000 yuan and more. In order to save foreign exchange expenses for the state, the vast ranks of this company's employees and workers also sought to break superstitions and emancipate their thinking by expanding the limits within which they used to repair their own vessels. Since last year, the whole company has saved vessel repair expenses amounting to some 1,468,000 yuan and more.

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CSO: 4006

## FOREIGN TRADE

### SUBURBAN DISTRICTS DEVELOPING EXPORT PRODUCTS

#### Work Conference

Beijing BEIJING RIBAO in Chinese 23 Aug 79 p 1

[Article by Xue Fu [1331 4395] and Bao Qiang [0202 1730]: "This City's Suburban Foreign Trade and Export Work Conference Points Out: There Are Plenty of Avenues for Developing Export Products in the Suburban Districts"]

[Text] Recently, the Office of Economic Affairs, Office of Agricultural Affairs, and Office of Financial Affairs in the outskirts jointly convened a Suburban Foreign Trade and Export Work Conference to mobilize the various counties (districts) to strengthen their leadership, do their best to explore sources of export products, fully utilize their local resources, energetically develop export goods, actively create more output for securing foreign exchange, so as to make contributions to the Four Modernizations.

The conference pointed out the potentialities of Beijing's suburban districts for developing export products are very great and the conditions for their doing so are very good, since these districts accommodate not only large tracts of hilly areas but also extensive segments of plains. There are also many rivers and streams, reservoirs and ponds. Not a few wastelands remain uncultivated, and many resources still await utilization. All these serve to create good conditions for the development of commodity production through planting and animal husbandry work. In certain communes in the plains, the land may be scarce but people are usually numerous; it should be possible for them to devote themselves to the production of handicrafts. At present, there are more than 460 commune and brigade enterprises in the entire suburban region which are engaged in the production of export commodities. Once their organized leaderships are strengthened, they will become a powerful contingent of vital forces in the development of the production of export commodities.

On the basis of conditions in this city's suburban districts today and the state of demands in the international market, comrades in the foreign trade departments and units thought that products that can be vastly developed

would include chestnuts, apricot cores, walnuts, black and white melon and sunflower seeds, roses, and beef cattle, sheep, beavers, guinea pig, rabbit meat, cats, dogs, deer, bees, honey, furs, gauze, thread, etc. There are demands far outnumbering supplies in the international market. Commodities subjected to planned development include stuffed ducks, duck meat, sparrows, pears, plums, apricots, yellow peaches, strawberries (canned), grapes (fresh grapes, grape wines, and canned grapes for export), vegetables, vegetable seed, fireworks, cloisonne, jewels, imitation ancient ceramic wares, embroideries, carpets, garments, knitted sweaters and mineral products (color-stone planks), etc. Tested commodities with a promising future include dried mushrooms, tender corn, fresh flowers, crisp persimmons; among the aquatic animals, porpoises, eel, red trout; among wild creatures to be trapped, insects, squirrels, earthworms, lizards, and frogs; among wild plants, huicai [3500 5475], jue cai [5615 5475], and also shangshuishi [0006 3055 4258], can all be organized for export production. Apart from all the above, where conditions are present efforts may also be made to take advantage of available foreign exchange to process accepted materials or imported materials for the sake of supporting exports with imports, and also to carry on compensatory trade.

At the conference, those units which had developed the production of export commodities with better results exchanged experiences with one another; they also held an exhibit of suburban export commodities to exhibit such items as the imitation ancient ceramic wares from the Yuanhe Commune in Shunyi County, garments from Pinggu County, violins and backpacks from Fangshan County, cloisonne from Daxin County, bone carvings from Huairou County, ivory carvings from Haiding District, and nearly 100 products of the like. Many of these goods on exhibit demonstrate superior levels of craftsmanship; they come mostly from the hands of the peasants. There are good sales outlets for them in the international market. Through visits to the exhibit, the participating comrades were able to achieve some enlightenment and education, and to open their eyes to the fact that it is possible not only for the peasants to make a go of producing export commodities through planting and animal husbandry, but, so long as leadership can be strengthened by the departments and unit concerned, also for them to make a go of producing handicrafts. Therefore, there is great vitality in relying on the peasants for the development of foreign trade and export enterprises, and this should not be overlooked by any means. At the conference, the various counties (districts) also started from reality and enthusiastically formulated plans for developing export commodities in respect specifically to the conditions prevailing in their respective areas; they were determined to quickly make a go of the production of export commodities in their own counties (districts).

#### Commentary Urges Production Development

Beijing BEIJING RIBAO in Chinese 23 Aug 79 p 1

[Commentary: "Great Development Only on the Basis of Great Propaganda"]

[Text] Since the smashing of the "gang of four," there has been great development in the foreign trade operations in the suburban districts.

But, compared to the advanced districts and to the demands for great development in our foreign trade, the gap remains considerable. This development has not been commensurate with the status of the capital suburb. In order to support the country's Four Modernizations, consolidate and strengthen our collective economy, and elevate the standards of living for our commune members, there must be still greater development in the production of export commodities in the suburban districts. There are abundant resources in the suburban districts, sufficient labor power, and a definite amount of technical and economic power; an energetic development of the production of export commodities is not only necessary but also possible.

In order to effect a great development in the production of export commodities in the suburban districts, it would be difficult to rely just on a small number of units and people to make the attempt in a pathetic way; it is necessary to mobilize far more communes and brigades as well as the masses to do so. Only when the masses are given the opportunity to realize their own interest and their own tasks will it be possible for them to work together with one heart. Because in the past not enough effort was put into the development of the production of export commodities in the suburban districts, not a few communes and brigades as well as parts of the masses even today remain rather short in their understanding as to why there should be such development and what are the export commodities whose production is supposed to be subject to such development; under such circumstances, of course one can hardly speak of great development. For this reason, leaders and foreign trade departments and units at the various levels in the suburban districts must adopt variable methods to propagate extensively the significant meaning of developing the production of export commodities in the suburban districts and also what commodities from planting operations and from animal husbandry operations and what handicrafts are to be developed, so that the situation becomes clearly understood genuinely by every household and every family. On this basis, assistance should then be extended to those communes and brigades where conditions are present so that practical, feasible plans and measures for developing the production of export commodities may be formulated and adopted; these plans and measures should also include encouragement for members of communes to develop the production of export commodities in the category of household sideline enterprises. If this is done, there is bound to be a great development in the production of export commodities in our suburban districts.

Leadership organs and foreign trade departments and units at the municipal and country level must change their leadership style, going down to the basical levels, conducting investigations and studies, so as to practically help the communes and brigades solve the actual difficulties they encounter in their attempt to develop the production of export commodities; in doing so, they must pay particular attention to studying and solving policy-related problems in order to help these communes and brigades embark even more expeditiously upon the development of their production of export commodities.



## FOREIGN TRADE

### DEVELOPMENT IN HONG KONG-MACAO, GUANGDONG TRADE ENVISIONED

Hong Kong WEN WEI PO in Chinese 31 Aug 79 p 3

[Article: "Chief of Guangdong's Foreign Trade Bureau Indicates: There Shall Be Great Development in Trade Between Hong Kong-Macao and Guangdong—Guangdong Is to Carry Out New Policy, There Is Plenty of Room for Cooperation"]

[Text] There is going to be further development in the trade relations between Hong Kong-Macao and Guangdong. This is what Feng Xueyan, chief of the Foreign Trade Bureau of Guangdong Province told a reporter of Hong Kong's JINGJI DAORAO [Economics Herald].

In the latest issue of JINGJI DAORAO, an article written by Bureau Chief Feng Xueyan in response to an inquiry by the journal's reporter was published. When speaking of Guangdong's new foreign trade policy measures, the article said: "From now on, on the premise of closely following the state's overall foreign trade principles and policies, Guangdong shall actively seek to arrange its own foreign trade. For example, commodities produced in Guangdong can be exported directly upon the signing of sales contracts; Guangdong can handle the importation of materials needed in the province itself; the province can also send trade personnel to Hong Kong and Macao and other parts of the world to handle businesses on their own; the province is likewise authorized to expand its powers in carrying out compensatory trade and joint business ventures, etc."

Feng Xueyan indicated that brethren in the Hong Kong-Macao area and overseas Chinese are welcome to cooperate with industrial and commercial circles in foreign countries so that, "under the principle of mutual benefit, they can invest directly in Guangdong or start businesses, establish factories, or open up mining in cooperation with us; they can also develop other forms of cooperation with us." He gave an example, saying: Hong Kong's Bureau of Commerce has already started to run an industrial district at the Se Kou area in Shun Chun Municipality; this is the first industrial district where Guangdong accepts Hong Kong and Macao investments and bids for the establishment of factories.

The article also touched on the direction of development for Guangdong's export products and explained the categories of commodities which Guangdong is going to develop selectively in the future, pointing out that "in our future foreign trade development, we shall still put our relations with Hong Kong and Macao in first place in our considerations," and that "there is still plenty of room for cooperation between our two sides. There are still many things that can be done."

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## FOREIGN TRADE

### REGULAR FLIGHTS BETWEEN SHANGHAI, NAGASAKI BEGIN

Shanghai JIEFANG RIBAO in Chinese 12 Sep 79 p 3

[Article: "Chairman Peng Zhong and Delegation Chief Kubo Proposing Toasts --In Celebration of the Opening of Regular Flights between Shanghai and Nagasaki"]

[Text] Regular flights between Shanghai, China, and Kobe, Japan, started to operate as of yesterday. For the sake of celebrating this opening, a goodwill delegation to China with Kubo Kan'ichi as its head from Nagasaki Prefecture arrived in Shanghai at noon yesterday by way of the very first flight of Japan Air Lines.

In the evening, the Revolutionary Committee of Shanghai Municipality and the Shanghai Bureau of the Chinese Civil Aviation Administration held a dinner to extend a warm welcome to the Nagasaki goodwill delegation to China. In proposing his toast at the dinner, Revolutionary Committee Chairman Peng Zhong first of all congratulated the opening of regular flights between Shanghai and Nagasaki. He said, for a long time there had always been frequent voyages, bilateral trade and other friendly relations between Shanghai and Nagasaki. On the eve of the 5th anniversary of the first opening of flights between China and Japan, these regular flights between Shanghai and Nagasaki were again getting started; there was thus added another aviation route between China and Japan, and there was also erected another friendly bridge in the air in the Sino-Japanese friendship enterprise. He said, we would like to make common efforts, together with friends of the various circles in Nagasaki, for the promotion of Sino-Japanese friendship, and for the closer and closer, deeper and deeper development of the friendly relations between Shanghai and Nagasaki.

In proposing his toast at the dinner, delegation chief Kubo Kan'ichi said: the opening of the air route between Nagasaki and Shanghai, long awaited by citizens of Nagasaki Prefecture since the signing of the Sino-Japanese Air Agreement in April 1974, had finally become a reality. This is a pleasure which we will never forget for the rest of our lives. He indicated: from now on, we would like to join hands with you, and maintain long-range friendship so as to expand and strengthen Sino-Japanese friendly relations even further.

Consultant to the Nagasaki goodwill delegation to China and member of the Standing Committee of the Japan Air Lines Council Hashirume Takayuki also proposed a toast at the dinner.

Present at the dinner were also: Di Jingxiang, vice chairman of the Shanghai Revolutionary Committee; Qin Renqiu, vice chairman, Shanghai Municipal Committee of the Chinese People's Political Consultative Conference; Xiao Che, secretary general of the Shanghai Revolutionary Committee; Zhou Bi, director, Industrial Transportation Office, Shanghai Revolutionary Committee; Zhang Anyu, deputy director, Foreign Affairs Office, Shanghai Revolutionary Committee; Wang Yamin, chief, Shanghai Bureau, Chinese Civil Aviation Administration; Wang Ximeng, vice president, Shanghai Branch, Chinese People's Association for Friendly Relations with Foreign Countries; and responsible persons of other concerned departments and units.

Attending the dinner were also Consul Takuma Toshitada and his wife from the Japanese Consulate General in Shanghai.

In the afternoon, a friendly and cordial conversation took place between delegation chief Kubo Kan'ichi, consultant to the delegation, deputy chief of the delegation, and others and Shanghai Revolutionary Committee Chairman Peng Zhong, and the guests and the host also took a picture together to mark the occasion.

When the Nagasaki goodwill delegation to China first arrived in Shanghai, Di Jingxiang, Qin Renqiu and others, plus several hundred welcoming masses were at the airport to meet them.

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## FOREIGN TRADE

### OVERSEAS CONSTRUCTION ENGINEERING COMPANY ACCEPTING WORK

#### Hong Kong Office

Hong Kong WEN WEI PO in Chinese 24 Sep 79 p 4

[Report by staff reporter Wang Weizhen [3769 0787 4176]: "China Overseas Construction Engineering Company Accepts All Civil Engineering Construction Work--Established Upon Registration in Hong Kong after Contacts and Negotiations with Not a Few Chinese and Foreign Businessmen"]

[Text] Not long ago, the China Overseas Construction Engineering Co., Ltd., was established in Hong Kong. This company is an offspring of the China Construction Engineering Company in Beijing. Its prescribed business is to take steps to attract contracts for all civil engineering works from abroad, and welcome the governments and companies of Hong Kong and foreign countries to come forward to make contacts and negotiate various kinds of engineering work.

Chairman of the Standing Committee of the Council of China Overseas Construction Engineering Co., Ltd., serving concurrently as general manager, is Mr Su Yupu. He is also deputy general manager of the China Construction Engineering Company. According to Su Yupu, who spoke to our reporter, the China Construction Engineering Company has a contingent of over 80,000 able and skilled designing and operations personnel; it has engaged long reputable chief architects and chief engineers. These people have acquired long experiences in conducting their work abroad. In the processes of carrying out our country's economic and technical cooperation with foreign countries, they have gone to over 30 countries and areas, and they have built such advanced, large-scale structures as the International Conference Hall in Sri Lanka and the Fairground in Algeria.

Because of the above stated conditions, the China Overseas Construction Engineering Co. is capable of accepting all civil engineering works such as factories, office buildings, residences, hotels, theaters, hospitals, train/bus stations, gymnasiums, playgrounds, airports, highways, bridges, tunnels, reservoirs, wharfs, etc.

After the China Overseas Construction Engineering Co. was established in Hong Kong, there have already been some not bad reactions. Quite a few companies in Hong Kong itself and in foreign countries have come forward to make contacts and conduct negotiations, and some have already reached agreements.

The company's office is established temporarily at Fenglo Commercial Building, 14th Floor, 163, Yonglo Street, Hong Kong. It is to move to the new Merchants Building in late October.

(Note: Details of interview with Su Yupu in economics section.)

#### Interview with General Manager

Hong Kong WEN WEI PO in Chinese 24 Sep 79 p 6

[Special report by staff reporter Wang Weizhen [3769 0787 4176]: "Chairman of Standing Committee of China Overseas Construction Engineering Company Council Su Yupu Talks about Accepting Engineering Work Orders—Established in Hong Kong Last June, Already Carrying Out Two Engineering Work Orders"]

[Text] On a delightful sunny morning, this reporter finally got a chance to talk for an entire morning with Chairman of the Standing Committee of the China Overseas Construction Engineering Company Council serving concurrently as general manager Su Yupu, who was kind enough to take time out from a very busy schedule for the purpose. This reporter was able to get a warm and detailed introduction to the company's situation. This newly established specialized engineering company is about to step into a promising future ahead. The following is a record of the conversation Su Yupu carried on with this reporter in response to questions put to him.

Question: China Overseas Construction Engineering Co., Ltd., has been only recently established in Hong Kong; what was the process of its planning and preparations?

Answer: I arrived in Hong Kong in January this year, and that was the first time I initiated contacts and negotiations with respect to accepting civil engineering works orders. In March, I returned once more to Hong Kong and actually started to prepare for the establishment of the company and to register it in Hong Kong according to established precedents and laws. Thereafter, the company proceeded to carry out planning of the two accepted work orders for which contracts had been signed. In overcoming the various difficulties in our planning and execution of the two work orders, we must express our gratitude for the many aspects of assistance given us by the Weizheng Construction Company, Limited.

On June 1 this year, all preparations were ready; the China Overseas Construction Engineering Company was established upon registration in Hong Kong. Its registered English rendition is China Overseas Building Development Co., Ltd. There are two other members of the Standing Committee of

the company council other than myself; one of them is Wang Tungshan, whose current office address is Fenglo Building, 14 Floor, 163 Yonglo Street, Hong Kong, telephone 5-451254. At the end of October, this office address is going to be changed to New Merchants Building, 10th Floor, 152-153 Connaught Road, Hong Kong. This Company is an offspring of the China Construction Engineering Company (CCEC) in Beijing. We have also engaged attorney Xi Zhuzhao as our legal adviser, and Mr Guan Binsheng as our accountant.

Question: What is the extent of your company's business?

Answer: This company is an offspring of the mother company in China. Technically, it is capable of accepting all civil engineering works orders, including the construction of the various types of industrial factories, office buildings, residences, hotels, theaters, hospitals, train/bus stations, gymnasiums, playgrounds, airports, highways, bridges, tunnels, reservoirs, wharfs, etc., and also accepting work orders such as inspection, design, building operations, installation of industrial equipment, etc. It is disposed to accept whole processes of work, individual items of work, or to supply only labor. Our business doors are wide open. We welcome any company or corporation in Hong Kong or foreign countries to contact and discuss with us all kinds of engineering works, or to cooperate with us in jointly accepting large-scale advanced engineering works, in Hong Kong or in foreign countries. We also welcome opportunities to work out agreements with the governments of other countries.

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CSO: 4006

## FOREIGN TRADE

### NEW REGULATION ON CONTROL OF CARRY-OUT LUGGAGE

Shanghai WEN HUI BAO in Chinese 5 Aug 79 p 2

[Article: "Custom House Carries Out New Regulations—Concerning Control over Luggage Items Carried by Travelers from the Hong Kong-Macao Area"]

[Text] This reporter has learned from those concerned that, in order to adapt to the developing situation, better take care of the reasonable needs of passengers traveling from and to Hong Kong and Macao, facilitate normal traffic, and at the same time expedite the struggle against the illegal activities of smuggling, they have recently issued in the Ministry of Foreign Trade "Customs Regulations Concerning the Control of Luggage Items Carried by Passengers Traveling from/to Hong Kong or Macao." The Custom House in Shanghai has already posted notices at the various supervisory and inspection sites and started to carry out these regulations.

Allowing, as a principle, a reasonable quantity as well as quality as to the luggage items carried by travelers from and to Hong Kong and Macao, these regulations are designed to prescribe the total weight of tax-exempt luggage items and the quantity limit and value limit of certain specific luggage items. It is also prescribed, in the case of eight particular items carried personally by Hong Kong and Macao travelers--watches, television sets, tape recorders, radios, cameras, electric fans, bicycles, sewing machines--that every adult will be permitted to take in one such item within every calendar year upon the payment of tax levied.

According to one of the Shanghai Custom House's notices, too, during the recent period some people have imported television sets and tape recorders from foreign countries or from the Hong Kong-Macao area by entrusting them to commercial freight, and some have even mailed in television sets. In accordance with the Custom House's present regulations now, except in the case of foreign embassies and consulates and those who have secured advance permits from the Custom House, importation will no longer be allowed to all items entrusted to commercial freight by individuals. Television sets belong to the category of fragile, explosive things which, according to our postal regulations, are not accepted for mailing to begin with; nor will the Custom House proceed to inspect and release them in such a case. It is the Custom House's wish that all concerned will no longer import television sets by entrusting them to commercial freight or through mailing so as to avoid the cost of having to have them returned.



## FOREIGN TRADE

### REDESIGNED KNITTED WEAR ATTRACTS FOREIGN CUSTOMERS

Shanghai JIEFANG RIBAO in Chinese 22 Aug 79 p 2

[Article by correspondents Yu Kanghua [0205 1660 5478] and Li Shangzhi [2621 1424 2535]: "Once the Style Is Changed, the Price Jumps Twofold--Recording the Transformation of Underwear into Garment by the Shanghai Knitwear Industry"]

[Text] Since the beginning of this year, a type of knitwear with a refreshing style among our country's garment exports has attracted foreign merchants' intense interest. This particular knitwear might appear to be a kind of underwear, yet it has a collar, a pocket or two, plus zipper, decorative patterns and beautiful colors. It might, on the other hand, appear to be a garment, yet it is made of underwear materials such as pure cotton, fibre, and the like, and is worn by people right next to their skin. This is namely the kind of knitted garment very much in vogue right now across the globe. Because its style is very refreshing and it is very convenient to wear, within but slightly more than half a year it has scored sales in the millions quickly throughout the five continents and the four seas and become a garment males and females, old and young of all races--white, yellow, black and others--love to wear. A few days ago, these reporters saw, in a not very large products exhibit room of the Shanghai Knitwear Factory No 5, how vividly the various wooden mannequins were dressed up in all colorful knitted underwear that are turned into garments: on this side, a shy "maiden" of golden hair was wearing a brilliant red zippered garment with turned-over collar and slant-opening pockets which added so much more the charm of youth; on the other side, an innocent "lad" was wearing a child's suit rimmed with a three-color band and patterned by five colorful ribbons, which made him likewise that much more lively and lovely. The white-rimmed blue ski overall-including-cap outfit reminded us of the agile figure of the skier in the middle of a boundless plain blanked with snow, whereas the relatively plain-colored garment for middle-aged people made us feel solemn.... As people looked around at this picturesque "fashion exhibit," who could believe that these welcomed garments had actually been turned out originally from small-frame knitted underwear?

Knitted underwear has been a traditional product of the Shanghai knitwear industry. But, certain traditional products such as shirts, T-shirts, cotton blouses, etc., have remained for long periods of time in the same dull fashion and simple colors. Gradually, they lost their capability to compete effectively, and hence also lost their sales outlets. Parts of the knitted underwear stocks have long been piled up in foreign trade warehouses, and many have had to be reduced in price and converted to sales in the domestic market. In 1978, a trend developed in international circles according to which citizens of not a few countries, insofar as their dressing habits were concerned, tended to wear things that are convenient, comfortable and colorful except when they attended dinners or dance parties and other such formal social activities. Knitted underwear most closely met their needs in this regard. Consequently, there arose the practice among the masterful dress designers of turning knitted underwear into garments. This trend timely reminded the Shanghai knitwear industry's employees and workers: in order to open up sales outlets for knitwear in the international market, they must take what most people love at the international level as their standard, and thereby change the styles of their products and re-organize the production of such products. They thus looked at such styles in pictorial magazines and studied them; they also carefully examined imported samples for clues, whereupon they made up their minds once and for all to change the monk's collar style by adding a turned-over collar to knitted underwear, also adding pockets, decorating it with some stripes here and there, and attaching some rims. Thus, colors now became integral parts too, and so did a zipper. Thus test-produced were all sorts of knitted garments with the distinctive achievements of refreshing style, attractive colors, sharp exterior, and streamlining. Once the style was changed, the price jumped twofold overnight. Test-sales of this batch of products immediately turned them into hot merchandise in the international market. Foreign customers rushed forward to purchase them, sending orders that flew like snowflakes. From this the knitwear industry saw a future of development. Consequently, they mobilized forces of the entire industry to start anew with the designing of styles, and thereby proceeded to attempt upgrading and replacement of those old products, and, further, to reinforce the processing art after materials were dyed and beautified. Colorsteadfastness became strengthened thereafter, and, within slightly more than a year, the quantity of this knitted garment products simply doubled. Great interest was therefore aroused amidst the foreign merchants and customers. Many foreign visitors began to buy them by the dozens from China. As soon as the Canton Trade Fair was opened this spring, the Shanghai Knitwear Company was immediately filled with orders for its knitted garments, with demands outnumbering the company's productive capacity by more than 10 times.

Of course, the fact that a product becoming suitable for fast sales and finding its way into the international market is not the same as having achieved success without a need for any further labor or enjoying prosperity that might last forever. Conditions in the international garment market go through the vicissitudes of change very quickly. The interests and

likings of different races, the customs and habits of nationalities in different parts of the world, and climatic changes during the four seasons of the year all converge to influence the state of sales of such knitted garments. After the employees and workers of the knitwear industry analyzed these conditions, they proposed the slogan that product designs must catch up with the times and therefore concentrated their own efforts on the creation of refreshing styles of products. The entire industry sought to strengthen its designing force. The vast ranks of the designing personnel made a point to pay attention always to collecting pertinent data at home and abroad, analyzing the trend and direction of movement of the garment styles in vogue in foreign countries, and thereby to endeavor to raise the level of their designing competence and hence to surpass foreign products on what had been learned from such foreign products. For example, when Knitwear Factory No 5 was engaged in designing a garment of arranged colors with turned-over and zippered collar plus pockets to be sold to America and Australia, it carefully studied the national characteristics, tastes, and physiques of the people of the two places, paying great attention to the combination of colors and patterns. A processed garment would thus be made up of as many as 13 pieces of materials and four different colors arranged into a whole, whose appearance thus became most appealing, colors well blended, lines fine looking, and contours altogether attractive. Customers, taking one look at the sample product, could not help touching it and did not want to let go, and consequently signed purchasing contracts at a high price right away, demanding further that more than 6,000 sets of a dozen should be produced for them in addition. Although this kind of knitted fibre garment came in sharp crests and bright colors, there are no breathing pores in them as they are worn next to one's skin. Knitwear Factories Nos 12 and 13 happened to have received this kind of reaction from the foreign merchants. They then immediately mobilized their brain power and came up with a double-layered product, with fibre on top and cotton underneath, whereby both materials could each compensate for the shortcoming of the other and therefore work wonders together. Not only did its style look refreshing, it was also comfortable to wear. After hearing about such improvements, the foreign merchants paid an even higher price and bought them all.

During the year and more since the birth of this knitted underwear-turned-garment, it has been briskly sold in nearly 100 countries and areas such as Canada, the United States, etc. Still another important reason as to why it has become a hot product in the hands of foreign garment merchants is that employees and workers of the Shanghai knitwear industry took the concept of time as the main instrument for competition. Once the foreign merchants make their demands, they immediately attempt by all means to accelerate the time for producing samples and, as a result, eventually shorten the period of time needed for turning over finished goods. During the first half of this year, the contract-fulfilling rate of the entire industry reached better than 95 percent. An experienced American merchant observed smugly upon speedy receipt of the garments of refreshing styles: In the past, I ordered such goods from places like South Korea; from now on, I am going to entrust all orders to you.

## FOREIGN TRADE

### TEXTILE TRADE FAIR HELD IN SHANGHAI

Shanghai WEN HUI BAO in Chinese 7 Aug 79 p 4

[Article: "Small Autumn Trade Fair on Garments, Knitted and Cotton Textile Products Oriented toward Japan Takes Place in Shanghai"]

[Text] The 1979 small autumn trade fair on garments, knitted and cotton textile products oriented toward Japan, sponsored by China Fabrics Import and Export Company, took place in Shanghai on August 6.

On the first day, as the fair opened, the Japanese merchants who came to attend numbered 237. They were sent from 54 trading companies and certain supermarkets in the various parts of Japan, carrying as they did with them a large number of orders and enthusiastically ordering various kinds of goods for daily use produced in different parts of our country such as ready-made children's wear made from cotton fabrics, silk fabrics and mixed wool-synthetic fabrics, towels, bed sheets, handkerchiefs, etc.

In accordance with the policy of readjustment, reform, rectification and uplift in our national economy as proposed by the Party Central Committee, our country has given top priority to the development of production in light and textile industries and adopted a series of effective measures in this regard. During the more than half past year, we have, on the basis of reinforced investigation and study, specifically responded to the needs in the international market by continuously expanding our capabilities in the production of cotton textile fabrics and ready-made garments and increasing their varieties, fashions and styles particularly suited for export. Therefore, there was a conspicuous increase in the sources of merchandise this time, and there was also an improvement in the suitability of the goods available. Among those participating in the small trade fair this time were export and import companies from coastal localities like Beijing, Tianjin, Liaoning, Guangzhou, Jiangsu, Shandong, Hebei and Shanghai.

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## TRANSPORTATION

### RAILROAD TRUNK LINES MULTIPLE-TRACKED, ELECTRIFIED

Beijing BEIJING RIBAO in Chinese 16 Sep 79 p 3

[Article: "Some of Our Country's Railroad Trunk Lines Multiple-tracked and Electrified to Expand Existing Railroad Transportation Capacity and to Meet Needs of National Economic Development"]

[Text] Xinhuashe 15 September--In order to expand existing railway transport capacity, railway departments in our country are in the process of a major effort to multiple track and electrify 15 railway trunk lines.

Of these projects, seven are in the process of multiple tracking including the Zhengzhou to Xuzhou section of the Longhai line, the Datong to Baotou section of the Beijing-Baotou line, the Hengyang to Guangzhou section of the Beijing-Guangzhou line, the Shijiazhuang-Dexhou line, the Jiaoxian-Jinan line, the Shenyang-Mudanjiang line, and the Shanghai-Hangzhou line. Five railroad lines are undergoing electrification: the Shijiazhuang-Taiyuan line, the Baoji-Lanzhou section of the Longhai line, the Fengtai-Datong section of the Beijing-Baotou line, the Xiangyang-Chongching line, and the Chengdu-Chongching line. Additionally, there is the realignment of the section in an area of coal breakers (i.e. a place where there are coal mines) of the Beijing-Shanhaiguan line, and the intermeshed engineering project for the multiple-tracking of the Tianjin-Pukou and the Shanghai-Ningbo lines. Furthermore, the pivotal stations at Beijing, Shijiazhuang, Zhengzhou, Wuhan, Jinan, and Xuzhou are undergoing enlargement. Once these improvement projects on the 10 railway lines have been completed, the carrying capacity of these trunk lines will be greatly increased and they will play an important role in the speedy outward movement of coal from Shanxi, and the eastward movement of coal from Henan and Shaanxi, as well as improve the tight situation in the movement of goods from coastal ports inland.

In the 30 years since liberation, our country has built many railroads. Trackage open to traffic as of 1978 amounted to more than 50,000 kilometers, an increase of 2.4 times the amount in the early liberation period and a freight capacity of 5.7 times that of the early liberation period. Seventy-five percent of the new railway construction has been in the broad area west

of the Beijing-Guangdong line. This has great significance for a rearrangement of the layout of our nation's railroad net and for strengthening the construction of the interior. But most of the industry of our country is concentrated in the coastal areas to the east of the Beijing-Guangdong line and in the northeastern region, and the main outlines of the railroad network here is still, for the most part, the lines inherited from the pre-liberation era and improved and enhanced in the early period following liberation. They carry more than 85 percent of the total freight traffic in the country. At the present time, the capacity of these trunk lines has become overloaded in many stretches; in some weak spots, capacity can meet only about 50 percent of actual demand. In consequence, railway departments have, as part of the policy of thoroughly adjusting, reforming, revamping, and improving the economy, resolutely given emphasis to capital investment in accelerated improvement of existing railway lines so as to improve their carrying capacity will all possible speed to meet the needs of the development of the national economy. One glaring problem encountered in improving the old lines has been the friction between the construction work and transportation. The broad masses of railway employees have strengthened their cooperation, worked closely together, made every minute count, and worked with all possible speed, to use every possible means to speed the project so as to assure normal transportation.

Multiple tracking on the Longhai line between Xuzhou and Zhengzhou, a distance of 349 kilometers, got under way in January of last year. As of now, more than 200 kilometers of track have been laid. On the western section of the Longhai line from Baoji to Lanzhou, a total distance of 511 kilometers, civil engineering work is underway and work is underway on the electrification of the stretch between Baoji and Tianshui. Along this section of railroad, it is necessary to traverse high mountain ridges in many places and vault broad and deep rivers; work conditions are quite arduous. Railway employees have concentrated their forces to fight a war of annihilation, have painstakingly organized, and have made concerted efforts to overcome the serious difficulties. Since the beginning of work in May last year up until August of this year, they have already completed eight tunnels, rebuilt 108 tunnels, rebuilt or built more than 80 bridges large and small, and rebuilt 25 railroad stations. Once the eastern and western sections of the Longhai railroad have been improved, carrying capacity will be double what it presently is.

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## TRANSPORTATION

### BRIEFS

**ANHUI NEW LINER SERVICE**--A new liner service linking Bengbu with (Kantuan) in Anhui was formally inaugurated on 1 November. The 102-km route is served by two passenger liners and two freight fleets. Steamers sail from Bengbu to Huaiyuan through Huaihe River and then enter (Chihuaixinhe) River, calling at seven ports. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 4 Nov 79 OW]

**ZHEJIANG MOTOR ROADS**--A total of 519 kilometers of motor roads were built in Sheng County, Zhejiang, by late October this year, and of which 128 kilometers of motor roads were built since 1978. The motor roads link up all the 64 communes in Sheng County. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 7 Nov 79 OW]

**SHANGHAI GRAIN OIL TRADE**--The Shanghai Maritime Administration Bureau has assigned 14 steamers to engage in grain import and oil export transportation. By the end of September, some 300,000 dun of grain and 60,000 dun of petroleum oil were shipped, earning some 13 million yuan of foreign exchange. [Shanghai City Service in Mandarin 0000 GMT 29 Oct 79 OW]

**XIAN RAILWAY ELECTRIFICATION**--The Xian Railway Bureau is carrying out the electrification of the Baoji-Tianshui Railway line and worked to speed up this project. The bureau has mobilized 70 percent of the capital construction force to work on this line. The project is now being wired and other electrical parts are being installed. [Xian Shaanxi Provincial Service in Mandarin 1300 GMT 21 Oct 79 HK]

**JIANGXI'S ASPHALT HIGHWAYS**--The Jiangxi Highway Administration Bureau has concentrated some manpower, materials and finance to develop asphalt highways. By the middle of October, it had completed paving 640 kilometers of asphalt highways, overfulfilling the year's plan by 6.7 percent. At present all the highways from Nanchang to Jiujiang, Yichun, Fuzhou and Pingxiang are covered with asphalt. Since liberation, Jiangxi has achieved relatively rapid development in high way building. The total length open to traffic has surpassed 41,000 kilometers. However, the mileage of asphalt highways

highways has reached only 1,500 kilometers. The asphalt highway construction costs this year are generally lower than past years. According to preliminary statistics, 3.1 million yuan of investment has been saved in asphalt highway construction this year compared with the average construction costs in past years. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 24 Oct 79 HK]

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